

NQUTHU MUNICIPALITY
UMASIPALA WASENQUTHU



DRAFT ANNUAL REPORT FOR 2010-11
UMBIKO WONYAKA 2010-11

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Chapter 1: Introduction and Overview

1.1 Mayor's Forewords



Her Worship Councilor E.N Molefe

It is a great satisfaction for the Municipality to present this annual report as required by Section 127(2) of Municipal Finance Management Act, Number 56 of 2003. The Municipality has overcome major obstacles during the 2010/11 financial year. Good and clean governance are central to the municipality's vision of being the champions of Local economic development and community development. The municipality is forever working towards a clean audit and this can only be achieved by a dedicated municipal staff working together with the community of Nquthu. The new council which was sworn in on the 6th of June 2011 is committed to youth development and this is relevant since 71% of the municipal population is under the age of 29.

However this service delivery requires funds and with a limited revenue base the municipality will have to work harder in collecting the little that we have and forming partnerships that will benefit the people of Nquthu. The limited revenue base results in numerous challenges when eradicating the service delivery backlogs in water, electricity and roads. In line with the needs of the community of Nquthu the municipality has spent R 18 million in upgrading municipal roads, bridges and community halls. The partnership between Nquthu municipality and the Bornem Municipality (Belgium) continued with the delegation from Bornem visiting Nquthu during the last quarter of the financial year. This partnership is growing from strength to strength and is certainly beneficial to the municipality in many aspects related to LED, administration, youth development and education. Through this partnership the municipality hopes to improve in most disciplines and attract a more investments where possible.

The municipality aimed for nothing less the 100% compliance with relevant legislation such as the MFMA and MSA 32 of 2000. The municipality also reviewed a number of policies related to rates, SCM, planning and the Human resources this will assist the municipality in complying with relevant legislation. The credit control policy resulted in an increased income collection rate and the revenue collected exceeded 3 million rand. The municipality is in the process of developing a revenue enhancement strategy to further improve revenue collection. Six forums the HIV council, SCOMA, Youth Forum Oversight Committee, Local Labour Forum and a Forum for the Disabled have been functional and assist the municipality with compliance and service delivery issues. However there still is room for improvement in terms of the functionality of some forums. A system of delegation has been adopted by council and is operational as required by the Municipal Systems Act 32 of 2000. The delegations will maximize administrative and

operational efficiency and provide for adequate checks and balances. In conclusion I congratulate the council and the management of the Municipality for all successes made in the year 2010-11 although there is still a lot to do to improve the lives of our people.

Thank you

Clr. N.E. Molefe (Mayor of Nquthu Municipality)

1.2 Message from the Speaker



Municipal Speaker

Cllr. V.B. Ntombela

Cllr V.B Ntombela is dedicated to maintain high quality standards and has an open door policy allowing his colleagues to achieve their full potential. He prefers a practical, democratic approach and works at all levels of operations.

Ward Committees have been formed in each of the 17 wards making up the municipality. Ward Councilors report directly to the Speaker who must ensure that the ward committee system operates successfully. These forums allow the Council to be in direct contact with their electorate. While in the past Councilors were only heard of at election time, the introduction of ward committees ensures that Councilors and indeed the council is readily available to respond to the community needs.

In addition to ensuring the success of the ward committee system the Speaker must ensure discipline amongst the Councilors and ensure that they obey the Code of Conduct set out in the Municipal Structures Act. A further task is to ensure that the Portfolio Committee system operates properly and that Councilors appointed to the various committees attend the meetings and contribute appropriately. The six portfolio committees operating in the Nquthu Municipality are:

1. Planning and LED portfolio committee.
2. Finance portfolio committee.
3. HR, Corporate and sport portfolio committee.
4. Community portfolio Committee
5. Technical portfolio committee
6. Housing portfolio committee

Each committee meets once per month and makes recommendations to the Executive Committee which meets once a month to resolve on the recommendations. The success of the above system depends largely on the ability of the 34 Councilors in the Municipality to explain the system to the electorate and to involve them in their deliberations. A further step taken by this Council is to take Government to the people.

1.3 Municipal Manager's forewords



Municipal Manager

Mr. B.P. Gumbi

The Office of the Municipal Manager consists of major sections which assist the municipal manager in performing his duties. There is the internal Audit section, the IDP/PMS section and the Communications Sections. These sections are central to the proper functioning of the municipality. The Internal Audit section ensures the adherence to good corporate governance practices assesses potential risks within Nquthu Local Municipality's operations and implements an appropriate system of internal control to address such risks. The IDP/PMS section provides the strategic direction and assesses organizational/ individual performance. The communication section has the responsibility of making the municipality visible and accessible to the general public.

The municipality as a whole is divided into four departments each headed by section 57 employees (HODs). There is the Department of Finance, Department of Corporate and Community services, Department of Technical services and the Department of Planning and LED. Each of the HODs form part of the management committee. During the start of 2010/11 financial year the inclusion of certain Key Performance Indicators in the 2010/11 performance plans and Municipal Scorecard resulted in amendments having to be made in accordance with regulation 28(4) of the Municipal Performance regulation of 2006. However during the 2010/11 financial year the HODs were able to submit quarterly performance reports and quarterly assessments were done as required by the Municipal Systems Act. The municipality was able to identify weakness and this enabled the municipality to improve on them.

A standing PMS item on the MANCO agenda has been developed this will enable management to continually track performance against set targets however performance reports will be submitted every quarter. A strategic planning session will be scheduled for the 2011/12 financial year while the HODs will be required to have monthly meetings with their staff members. The meetings will assist in communication and enable the HODs to monitor the performance of his staff. This will ensure that the municipality complies with section 41 (1) (e) of the MSA 32 of 2000 which call for a system of regular reporting.

Thank you.

Mr. B.P Gumbi
Municipal Manager

1.4 EXECUTIVE SUMMARY

VISION AND MISSION

The vision for Nquthu Municipality is a reflection of the common identity of the municipality and its residents and the aspirations of the population in respect of the characteristics that the area will show in a short **(5yrs)** to medium term **(10yrs)** and medium to long term **(20yrs)**.

The vision for Nquthu Municipality is:

“To be the Champion in the Development of the Local Economy and Community Development”



“Ukuba Amaqhawe Entuthuthuko Yonmotho Nompakathi”

Mission Statement

An important element of the mission is based on the premise of being at the forefront of the economic development and community upliftment for Nquthu population by focusing on the following:

- **One community:** The focus is placed on one community, as the Nquthu Integrated Development Plan deals with integration in all respects, and the removal of the notion of separate communities and separate development.
- **Access to all basic services:** This element is commensurate with the clear backlogs being experienced in respect of services, both social and engineering.
- **Poverty eradication:** The mission statement uses the terminology of “eradication” rather than “alleviation”, so that the statement is a powerful one, demonstrating intent rather than just hope.
- **Promotion of local economic development (LED)** through agriculture development, business development and tourism development.

OVERVIEW OF MUNICIPALITY

Nquthu Local Municipality is one of the four local municipalities within Umzinyathi District, and is located along the northeastern boundary of the district. It borders onto Endumeni, Emadlangeni, Abaqulusi, Ulundi, Nkandla and Msinga local municipalities (refer to Map 1). It covers an area of approximately 1451km², and is predominantly rural in nature with expansive rural settlements being one of the major features. It is accessed mainly through R68 linking Ulundi to Newcastle/Dundee. Other important roads through the municipality are the R33, passing through the northern areas, passing east of Nondweni before linking Vryheid with the R68. A gravel road links Nquthu with Kranskop.

Nquthu Town is a small but stable urban area that has established itself as the primary commercial, administrative and service centre for the Municipality as a whole. The town is the main commercial hub for the municipality with shopping mall that consists more than 50 shops, services, several supermarkets, one wholesale, informal traders and street hawkers. It serves as provincial administrative centre, with offices of the Departments of Education, Agriculture and Environmental Affairs, Works, Health, Justice and Welfare, Department of transport, Safety and Security (SAPS), Post Office, as well as a variety of social infrastructure.

The town is an old Japie Uys town established in terms of Proclamation 67 of 1983. It is almost centrally located in ward 8, at the intersection of the R68 linking Dundee to Melmoth, the road to Vryheid via Blood River and the road to Nondweni. In terms of the settlement hierarchy set out in the Integrated Rural Development Policy, Nquthu is regarded as a Provincial Administration Centre. The town is formally laid out and the current draft LUMS are being reviewed by COGTA.

The total population for Nquthu according to Stats SA's 2007 Community survey is 164 887. This represents a figure of 32 169 households at an average household size of 5.125.

The summary of the current reality for Nquthu Municipality:

TABLE: Basic facts and figures

Basic Facts	Figures
Total Population	164 887
Number of Households	32 169
Total population of District	495 737
% of Total Population Urbanised	5
Age Profile	
0-9	46 918 (28%)
10-19	44 812 (27%)

20-29	25 639 (16%)
30-39	15 433 (9%)
40-49	11 084 (7%)
50+	20 997 (13%)
Unemployed (% of income earning population)	53.6% in 2007 47% (23 364)
HIV/Aids Rates	KZN: 32% Provincial Average DM: 39.4% National HIV & Syphilis Prevalence Survey SA (2007)

The Nquthu Municipal Area is part of a bigger tourism region known as the KwaZulu-Natal Battlefields that includes i.e. Dundee, Melmoth, Vryheid and Ulundi. The area is connected with the R68 (Battlefields Route), which consists of all the main attractions in the Battlefields namely Isandlwana, Rorke's Drift, Fugitives Drift, Blood River/Income and Elandslaagte Battlefield, amongst others. The Battlefields is also one of the key tourist attractions in the region, as well as in KwaZulu-Natal. It attracts around 3% of domestic tourists and 12% of foreigners to the Province per annum, resulting in about 130 000 tourists to the greater region. Foreign and local markets contribute equally to this amount.

Zulu Heritage and Cultural route is a relatively new concept in provincial tourism planning and marketing. It is introduced in the KwaZulu-Natal Tourism Development Strategy as one of the strategic initiatives to promote tourism in rural areas. "The development of this tourism route, which has the potential to meander throughout KwaZulu-Natal, is considered as glue that will join together the wide diversity of rural tourism attractions and sites of historical importance. More importantly, it is considered as a catalyst for opening up of the previously disadvantaged areas for further tourism development". Tourist attractions in this area include Isandlwana, which is located south of the Nquthu town.

Chapter 2: Performance Report per Municipal Department

2.1 Office of the Municipal Manager

This chapter comments on the progress in eliminating the backlogs in service delivery for key services that the municipality is responsible for providing. The performance highlights are divided per municipal department which are the Municipal managers Office, Budget Office, Corporate and Community Services, Planning Services and Technical services. The municipality was able to construct 21.9km of new roads within the municipality while maintaining 57.2km. The municipality was also able to create 131 jobs through all the capital projects it implemented. The municipality incurs major losses of revenue due to electricity theft and to counter this municipality audited 1131 households and business within the municipal CBD.

2.2 Performance report for 2010/11

National KPA	Local KPA (Priority)	Strategic Objective	Performance Indicators	2009/10		2010/11 Target	Actual Achieved en d of June 2011	Planned Measures For Improveme nt	Reason for variances	2011/12 Performance targets
				Target	Actual					
BASIC SERVICE DELIVERY	Water Services	To ensure access to free basic water and expansion of water services to all consumers	Facilitation of access to basic water	4 water meetings at umzinyathi	4 water meetings at umzinyathi	Four water meetings held with umzinyathi	4 water meetings at umzinyathi	Target achieved		4 water meetings at umzinyathi
	Sanitation	To ensure access to free sanitation to all consumers	Facilitation of access to basic sanitation	4 water meetings at umzinyathi	4 water meetings at umzinyathi	Four sanitation meetings held with umzinyathi	4 water meetings at umzinyathi	Target achieved		4 water meetings at umzinyathi
	Electricity	To provide Electricity to all households within the municipality	Households with access to electricity	1 Electricity Audit	1 Electricity Audit	Visit 1000 households to audit electricity supply	1131 households visited 23 connection to network And 27 disconnection	Target achieved		12 Audit routine Maintenance reports
			Electrical Maintenance plan	Periodic maintenance	Periodic maintenance	1 Electrical maintenance Plan	-	Appoint electrician	Electrician not yet appointed	12 Audit routine Maintenance reports

	community development	To improve Community Facilities	Household with access to waste disposal services	Develop a proper action plan	Action plan developed	Collect refuse for all households and business in the CBD	Refuse collected in all business and household in the CBD	Target achieved		12 Implementation reports
			Maintenance of verges and public open spaces	Develop Routine maintenance Plan	Routine maintenance Plan	Weekly maintenance of verges and public open spaces	Weekly maintenance of verges and public open spaces	Target achieved		Weekly maintenance of verges and public open spaces
		To support the roll-out of Free Basic Services	Indigent policy	-	-	Develop indigent policy	Not achieved	Progress reports	postponement of meetings (indigent policy now in place)	Develop indigent policy
			Review of Indigent Policy	-	-	Review indigent policy by 30 June 2011	-	Progress reports	postponement of meetings (indigent policy now in place)	
	Housing	To decrease the housing backlog	Facilitation of the construction of houses	Appoint housing Manager	Housing Manager Appointed	12 monthly reports	12 monthly monitoring reports	Target achieved		12 monthly reports
	Road and Storm water Infrastructure	Improve roads and storm water Infrastructure	Kilometres of road maintained	50km	55km	60km by 30 June 2011	57.2 km of Road maintained	Monitoring reports	Breakdown in municipal equipment Heavy rain resulted in delays during construction days	60km by 30 June 2012

			Kilometres of new roads developed	20km	21.8km	23km by 30 June 2011	21.9km constructed	Monitoring reports	Breakdown in municipal equipment Heavy rain resulted in delays during construction days	20km by June 2012
MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	Municipal development	To develop HR	Approved organogram	-	-	Approved organogram	Approved organogram	Target achieved		Reviewed organogram
			Annual Approved Work Skills Plan	Approved Work Skills Plan and Submitted to LGSETA	Approved Work Skills Plan and Submitted to LGSETA	Council resolution	-	More specific target	improper target	100% expenditure of WSP Budget
			Efficient document management system	-	-	Implementati on of file plan	-	More specific target	file plan in place and being implemented	-
		To provide guidance that ensures integrated service delivery	IDP Review	Review IDP within legislated Deadlines	IDP reviewed with timeframe	IDP Approved by May/June 2011	IDP approved in April 2011	Target achieved		IDP Approved by May/June 2012
			IDP representative forums	2 by 30 June 2011	1 by 30 June 2011	2 by 30 June 2011	1 by 30 June 2011	Efficiently disseminate minutes & reminders	insufficient time to invite stakeholders due to Earlier approval date for the IDP due to elections	2 by 30 June 2012

			IDP steering Committee	4 meetings by 30 June 2010	2 meetings by 30 June 2010	4 meetings by 30 June 2011	3 meetings by 30 June 2011	Efficiently disseminate minutes & reminders	IDP/PMS manager only appointed in September 2010	4 meetings by 30 June 2012
			Approved Mid-Term Expenditure Framework	Approved by May/June 2010	Approved by May/June 2010	Approved by May/June 2011	Approved by April 2011	Target achieved		Approved by May/June 2012
			Environmental Management Process Plan	-	-	Approved by May/June 2011	-	Develop "Smart" target	improper target	Approved by May/June 2012
			Land Use Management Systems	Develop Draft LUMS	Develop Draft LUMS	Develop town Scheme	Draft Town scheme developed			
		To facilitate the implementation of the Performance Management System	Performance Management System	-	-	Quarterly review's of section 57 managers	Performance of S57 managers reviewed Quarterly	Target achieved		Quarterly reviews of section 57 managers
			Adopted Annual report	Adopt Annual report before end of March 2010		Adopt Annual report before end of March 2011	Annual report adopted before end of March 2011	Target achieved		Adopt Annual report before end of March 2012
			Implementation of the National municipal Turnaround strategy	Submit Quarterly MTAS reports	Quarterly MTAS reports Submitted	Submit Quarterly MTAS reports	Quarterly MTAS reports Submitted	Target achieved		Submit Quarterly MTAS reports

			IT strategy	-	-	Develop IT strategy	No IT strategy developed	Stricter monitoring	postponement of meetings (IT strategy now in place)	Develop IT strategy
						1 survey	No Survey done	Develop "Smart" target	improper target	1 survey
			Communication strategy	-	-	1 strategy by 30 June 2011	Communication strategy developed	Target achieved		Review Communication strategy
						-	-	-		
LOCAL ECONOMIC DEVELOPMENT	LED	To create employment opportunities	Targeted spend achieved	-	-	100% achieved against BBBEE targets by 30 June 2011		Develop "Smart" target	Improper target	-
			Jobs created through the municipality's LED initiatives	-	-	40 job by 30 June 2011		Review target	Target set too high	25 jobs by 30 June 2012
			Jobs created through the municipality's capital projects	-	-	150 Jobs by 30 June 2011	131 jobs created	Review target	improper target	80 Jobs by 30 June 2012
			Provide/extend infrastructure projects	-	-	R2.5M grant funding raised	+ R2.5M grant funding raised	Target achieved		100% expenditure of Grants

		To facilitate investment in the municipality	Monitor the implementation of Flemish programmes through Nquthu-Bornem Cooperation	4 Monitoring reports	4 Monitoring reports Produced	4 Monitoring reports by 30 June 2011	4 Monitoring reports Produced	Target achieved		4 Monitoring reports by 30 June 2012
MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT	Financial management	To Facilitate the implementation of the Financial Management System	Cash collected from consumers	Issue monthly Bills	12 bills issued to consumers	Number of days outstanding		Develop "Smart" target	improper target	Issue monthly Bills
			Loan repayments	10% increase in payment levels	55% increased payments levels	100% compliance with loan terms	100% compliance with loan terms	Target achieved		100% compliance with loan terms
			Audit opinion	Unqualified	Qualified opinion	Unqualified				Unqualified
			Compliance with MFMA requirements	-	-	50% reduction in audit queries			Lack of Corporation	50% reduction in audit queries
			Compliance with GRAP	-	-	100% compliance	-	Develop "Smart" target	Improper target	4 monitoring reports
		To Facilitate better Credit Control	Payment of Creditors	100% timely payment to critical	100% timely payment to critical	Pay accounts within 30 days	Pay accounts within 30 days	Target achieved		Pay accounts within 30 days
		To ensure the adoption and adherence to the budget Process Plan	Actual v Budget	10% reduction	25% surplus unaudited	5% variance				5% variance
			Compliance with SCM	12 SCM reports by	12 SCM reports	100% compliant	100% compliant	Target achieved		100% compliant

			Regulations	30 June 2010	submitted to council by 30/06/11	No appeals held	01 appeal	Develop "Smart" target	one appeal lodged during the 2010/11	
			SARS compliance	12 Vat returns submitted to SARS within due dates	12 Vat Returns Submitted timeously	12 Vat returns submitted to SARS within due dates	12 Vat Returns Submitted timeously	Target achieved		12 Vat returns submitted to SARS within due dates
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Community development	Community development	Community mobilization	10 meetings	10 meetings	10 road shows by 30 June 2011	10 IDP Roadshows	Target achieved		10 road shows by 30 June 2012
		Facilitate the establishment of ward committee meetings	Ward Committee Systems	-	-	12 ward committee meeting per ward	6 ward committee meeting per ward	Review target	Limited participation by members	6 ward committee meeting per ward
				-	-	Response with 60 days	-	Develop "Smart" target	Improper target	
		To improve municipal standards of operation and ensure proper management	Mayoral stakeholders forum	-	-	4 meetings by 30 June 2011	1 meeting by 30 June 2011	Review target	Improper target	Indicator removed
			Provincial Liaison Forum	-	-	4 meetings by 30 June 2011	4 meetings by 30 June 2011	Target achieved		4 meetings by 30 June 2012
			Develop new policies, procedures and bylaws where necessary	-	-	40% new developed polices by 30 June 2011	31% new developed polices by 30 June 2011	Review target	Improper target	

			Review existing policies, procedures and bylaws	-	-	40% of policies reviewed by 30 June 2011	31% of policies reviewed by 30 June 2011	Review target	Improper target	
			Effective implementation of all legal prescripts, policies, procedures and bylaws	-	-	100% compliance by 30 June 2011		Develop "Smart" target	Improper target	
			Internal audit activity	4 Audit reports		4 Audit reports by 30 June 2011	3 Audit Reports by 30 June 2011	Monitoring reports	postponement of meetings	4 Audit reports by 30 June 2011
			Audit committee	4 Audit Committee meetings		4 meetings by 30 June 2011	3 Meetings	Efficiently disseminate minutes & reminders	postponement of meetings	4 meetings by 30 June 2012
		To Promote HIV/AIDS awareness	HIV/AIDS Strategy	-	-	Reviewed strategy by 30 June 2011	Strategy not reviewed	Target achieved		Reviewed strategy by 30 June 2012

2.2 FINANCE DEPARTMENT ANNUAL PERFORMANCE REPORT



Municipal Chief Financial Officer

Mr. W.S. Mpanza

3.1 Structure of the department

The Budget and Treasury Office has been established in terms of MFMA. There are four sections that currently operate within this department they are:

1. Expenditure Management
2. Revenue Management
3. Supply Chain Management
4. Budget and Financial Reporting.

3.2 Performance report for 2010/11

National KPA	Local KPA (Priority)	Strategic Objective	Performance Indicators	2009/10		2010/11 Target	Actual Achieved end of June 2011	Planned Measures For Improvement	Reason for variances	2011/12 Performance targets
				Target	Actual					
BASIC SERVICE DELIVERY	Community development	To support the roll-out of free Basic Services	Total of grants and subsidies spent	-	-	100% spent	92% grants spent	Monitoring reports	Lack of Corporation	100% expenditure
			Functional Bid Committees	2 training sessions	1 training session	Turnaround Time		Develop "Smart" target	Improper target	4 training sessions
MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	Municipal Development	To support the roll-out of free Basic Services	Procurement Planning	-	-	31/12/2010		Develop "Smart" target	Postponement of meetings	
			SCM Performance reporting	12 monthly reports	12 monthly reports	10 days after month-end	22 reports	Target achieved		12 monthly reports
			Compliance with SCM Regulations	-	-	100% compliance		Develop "Smart" target	Improper target	4 progress reports and reviewed SCM policy
				-	-	0 Number of appeals	01 appeal		one appeal lodged during the 2010/11	

LOCAL ECONOMIC DEVELOPMENT	LED	To facilitate investment in the municipality	Updated supplier database (database inclusive of smmes)	1 update	1 update done	1 Update of database annually	1 update done	Target achieved		4 progress reports and 1 annual update
			To promote a Conducive environment for trading in all sectors (payments to smmes made on time)	100% timely payments	100% timely payments	Payment within 30 days	Invoices paid within 30 days of receipt	Target achieved		Payment within 30 days
MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT	Financial management	To facilitate the implementation of the Financial management System	Maintenance of valuation roll	0	0	0 Number of appeals/objections	0 appeals	Target achieved		4 progress Reports
			Loan repayments	10% increase in payment levels	10% increase in payment levels	100% compliance with loan terms	04 loan repayments made			100% compliance with loan terms
			Total revenue received from grants and subsidies	-	-	As per DORA	4 grants received (MSIG, MIG, FMG & Equitable Share)	Target achieved		
			Compliance with GRAP	-	-	100% compliance		Review target		4 monitoring reports
			Fixed Assets Register reconciled with General Ledger	-	-	100% reconciled	FAR 95% complete	Monitoring reports	Lack of Corporation	

			% of operating budget on total budget	-	-	85%	78%	Review target	Target exceeded (opex budget kept to the minimum)	
			% of salaries and wages budget (including benefits) of total budget	-	-	40%	37%	Review target	Target exceeded (salary budget kept to the minimum)	
			% of own revenue contribution to total budget	-	-	30%	23%	Review target	lack of revenue sources (revenue strategy is being reviewed)	
			Actual v Budget	10 % reduction in deficit	25% surplus unaudited	5% variance	9% variance	Strict monitoring	Unplanned projects	5% variance
			Compliance with MFMA requirements	100%	100%	100%	100%	Target achieved		100%
			Audit opinion	-	-	Unqualified		Strict monitoring		Unqualified
			Submission of AFS	AFS Submitted by the 30 th of August	AFS Submitted by the 30 th of August	AFS Submitted by the 30 th of August	AFS submitted on the 8 th of September	Strict monitoring	Delay from the appointed service provider	AFS Submitted by the 30 th of August
			Cash collected from consumers	-	-	Not more than 30 days outstanding				Not more than 30 days outstanding

			Amount invoiced/billed to consumers	Bills issued by the 15 th of every month	12 monthly consumer statements sent	100% of services rendered that are billed	Invoice/Statement sent on monthly Basis	Develop "Smart" target	Improper target	100% of services rendered that are billed
			Payment of Creditors	10 increase in payment levels	55% increase	Pay accounts within 30 days	Creditor paid within 30 days	Target achieved		Pay accounts within 30 days
			EMP 201 submitted	12 EMP 201 submitted to SARS within due dates	12 EMP 201 submitted to SARS within due dates	12 EMP 201 submitted to SARS within due dates	12 EMP 201 returns submitted	Target achieved		12 EMP 201 submitted to SARS within due dates
			Number of returns submitted to SARS	12 VAT returns submitted to SARS within due dates	12 VAT returns submitted to SARS within due dates	12 VAT returns submitted to SARS within due dates	12 VAT returns submitted	Target Achieved		12 VAT returns submitted to SARS within due dates
		To facilitate better credit control	Debt Coverage Ratio	-	-	1:2	1:2	Target achieved		1:2
			Outstanding service debtors to revenue	-	-	%	-	Develop "Smart" target	Improper target	
			Cost coverage ratio	-	-	1:2	1:2	Target achieved		1:2
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Community development	To improve municipal standards of operation and ensure proper management	Completion of attendance register by all staff members in the department	Proof of signed register by officials and countersigned by the HOD.	Register reviewed and signed	Proof of signed register by officials and countersigned by the HOD.	Counter signed attendance register	Target achieved		Proof of signed register by officials and countersigned by the HOD.

			Risk Assessment	-	-	Approved Risk Profile	Approved Risk Profile	Target achieved		Approved Risk Profile
			Risk management Strategy	-	-	Quarterly reports	Quarterly reports	Target achieved		Quarterly reports
			Monthly departmental meetings and minutes submitted to the MM	10 monthly departmental meetings	2 monthly departmental meetings held	6 monthly departmental minutes submitted to MM within 10 days after the meeting.	1 meeting held	Efficiently disseminate minutes & reminders	Postponement of meetings	12 monthly departmental
		To provide guidance that ensures integrated service delivery	Number of IDP steering committee meetings attended	-	-	4 meeting by 30 June 2011	03 meetings held	Efficiently disseminate minutes & reminders	IDP/PMS manager only appointed in September 2010	4 meeting by 30 June 2012
			Number of district, provincial and national meetings attended (IGR)	-	-	10 meeting by 30 June 2011	04 meetings attended	Strict monitoring	Target to be inclusive for the entire department	10 meeting by 30 June 2012

2.3 CORPORATE AND COMMUNITY SERVICES ANNUAL PERFORMANCE REPORT



Director Corporate and Community Services
Mr. X.M. Mbatha

4.1 Structure of the department

The core function of Corporate and Community Services department is to maintain, develop and provide support to all departments within the municipality. It focuses on the entire municipality's administration, secretariat, human resources, development facilitation, Information Technology and disaster management. The department is made up of six sections which are Administration, Human Resources, Community, Library, Information technology and the Traffic Section. It is with pleasure to present a report on the functioning of the Department in the 2010/11 financial year.

ADMINISTRATION

The administration section provides administrative support and guidance to all other sections within the municipality. In order to continuously manage efficiently the municipality recognizes information and records as the most important resources. Most crucially, both internal and external Communication channels have improved through the services of a messenger.

HUMAN RESOURCE MANAGEMENT

The Human Resources Section strategically manages the Municipal Human Capital of the entire municipality focusing on the following aspects:

- Restructuring the Organization in terms of the needs and challenges Nquthu Municipality with its changing Integrated Development Plan.
- Managing and monitoring the Labour Turnover of the Municipality.
- Recruitment and Selection of staff, and training existing staff.
- Human Resources Development which impacts on the Quality Service Delivery and Integrated Development Plan, and the Development of a Workplace Skills Plan and implementation thereof.
- Study Assistance Programmes, and offering in-service training to aspiring trainees who have completed tertiary levels of education.
- Policy Development and Implementation

COMMUNITY SERVICES DEPARTMENT

Community Service section mainly deals with issues related to community upliftment, Sports and recreational activities. During the 2010/11 financial year the department assisted provincial and national programmes that took place in the municipality. Through this section the municipality was hands on in the War on poverty Programme. The section is also at the forefront in fighting the HIV/AIDS pandemic within the municipality.

Librarians

The library section primarily deals with the maintenance of two libraries with Nquthu municipality and all the mobile libraries. They liaise with the provincial department of arts and culture on specific programs that assist the youth. The section is in charge of the overall performance of staff, efficiency in public provision and upkeep of the library, assist the community on how to use computers and the internet. They also assist in uplifting education in the municipality by providing services that cover information on all aspects in life e.g. languages, computers, politics, cooking, gardening, etc. it also promotes literacy and reading to the community. There is also a book exchange program with the Dundee library which enables the libraries to provide the public with new reading material on a regular basis

Traffic Section

Disaster Management

- To assist effected people with any form of disaster and communicate with the District and the province.

4.2 Performance report for 2010/11

National KPA	Local KPA (Priority)	Strategic Objective	Performance Indicators	2009/10		2010/11 Target	Actual Achieved end of June 2011	Planned Measures For Improvement	Reason for variances	2011/12 Performance Targets
				Target	Actual					
BASIC SERVICE DELIVERY	Community development	To Promote HIV/AIDS awareness	HIV/AIDS strategy	-	-	Develop HIV/AIDS strategy	HIV/AIDS strategy developed	Target achieved		Review HIV/AIDS strategy
		To improve levels of Healthcare in the municipality	Percentage of achieved negotiations to improve healthcare with DOH	-	-	6 alignment meetings	6 alignment meetings	Target achieved		6 alignment meetings
		To improve community facilities	To improve sport fields and playgrounds	-	-	10 by 30 June 2011	-	Review target	Target misplaced	10 by 30 June 2012
		To improve education and training	Percentage of achieved negotiations to improve the level of education with DOE	-	-	6 alignment meetings	6 alignment meetings	Target achieved		6 alignment meetings
		To improve levels of safety and security	Percentage of achieved negotiations to improve the levels of safety and security	-	-	6 alignment meetings	6 alignment meetings	Target achieved		6 alignment meetings

		To improve municipal standards of operation and ensure proper management	Percentage of compliance with legal prescripts	-	-	100% compliant by 30 June 2011	-	Develop "Smart" target	Improper target	
MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	Municipal development	To develop HR and job profiles for all posts	Council resolution on Approved organogram	Approved organogram	Approved organogram	Approved organogram	Approved organogram	Target achieved		Reviewed organogram
			Number of black staff employed in management	-	-		5	General KPI		
			Number of women employed by the municipality	-	-		47	General KPI		
			Number of youth employed by the municipality	-	-		50	General KPI		
			Departmental performance reports submitted to the MM's office.	-	-	Submit 4 performance reports	4 performance reports submitted	Target achieved		Submit 4 performance reports
			Number of disabled staff employed by the municipality	-	-	0	0	General KPI		
			Council resolution on annual workplace skills plan	Implementation of the WSP	WSP implemented	Implement WSP and trained employee	WSP implemented and 10 employees trained	Target achieved		100% expenditure of WSP Budget

			Percentage of allocated budget spent on workplace skills plan	-	-			Develop "Smart" target		100% expenditure of WSP Budget
			DBSA siyenzamanje/salga project	-	-	-	-	Develop "Smart" target	Improper target	Target removed
			Efficient document management	-	-	Implementatio n of File Plan	File Plan implemented	Target achieved		
			EAP program	-	-	-	-	Develop "Smart" target	Improper target	
		To improve municipal standards of operation and ensure proper management	Secretarial services to council, committees and Manco	Produce minutes within 48 hours	Minutes produced within 48 hours	Produce minutes within 48 hours	Minutes produced within 48 hours	Target achieved		Produce minutes within 48 hours
			Number of surveys conducted	-	-	1 survey	0 survey	Strict monitoring		1 survey
			Customer care program	-	-	1 Program	0 Programs	Strict monitoring	Unforeseen delays	1 Program
LOCAL ECONOMIC DEVELOPMENT	LED	To facilitate the establishment of LED institutional structures	Number of led items on the community forums and imbizo agendas	-	-	4 items by June 2011	2 Items by 30 June 2011	Strict monitoring	Lack of Corporation	4 items by June 2012
MUNICIPAL FINANCIAL	Financial Manageme nt	To facilitate the implementatio	Number of SDBIP projects implemented	-	-	All projects by June 2011	All projects implemented		Unplanned projects	All projects by June 2012

VIABILITY AND MANAGEMENT		n of a Financial management system	% of deviation on the department's budget.	-	-	5% deviation by June2011	Deviation		Unplanned projects	5% deviation by June2012
			Audit opinion	Unqualified	Qualified	unqualified	-			unqualified
GOOD GOVERNANCE AND PUBLIC PARTICIPATION –	Community development	To provide guidance that ensures integrated service delivery in the municipality	Number of road shows/imbizo's (IDP & Budget) at ward level	10 IDP izimbizo's	10 IDP izimbizo's	10 by 30 June 2011	10 IDP izimbizo's held	Target achieved		10 by 30 June 2012
			Number of IDP representative Forum meetings attended	Two IDP Rep forum meetings	One IDP rep forum attended	Two IDP Rep forum meetings	One IDP rep forum attended	Efficiently disseminate minutes & reminders	insufficient time to invite stakeholder s due to Earlier approval date for the IDP due to elections	Two IDP Rep forum meetings
			Number of IDP steering committee meetings attended	4 by 30 June 2010	2 Meeting Held by 2010	4 by 30 June 2011	3 meetings Held	Efficiently disseminate minutes & reminders	IDP/PMS manager only appointed in September 2010	4 by 30 June 2012
			Number of District cluster forum meetings	-	-	Attend 4 District cluster meetings	4 District Cluster meetings attended	Target achieved		Attend 4 District cluster meetings
			No of CDW reports submitted	-	-	12 by 30 June 2011	12 CDW reports submitted	Target achieved		12 CDW reports by 30 June 2012
		Facilitate the establishment of functional ward								

		committees	Number of ward committee meetings per ward	-	-	12 meetings per ward	6 meetings per ward	Review target	Limited participation	6 meetings per ward
			Response plan to issues raised at ward committee meetings	-	-	12 by 30 June 2011	-	Review target	Improper target	
		To improve municipal standards of operation and ensure proper management	Number of Mayoral stakeholders Forum	-	-	4 by 30 June 2011	01 by 30 June 2011	Review target	Improper target	Target removed
			Number of provincial liaison forum meetings	-	-	4 by 30 June 2011	4 meetings attended	Target achieved		4 by 30 June 2012
			Percentage of newly developed policies procedure and by laws where necessary	-	-	40% new developed policies by 30 June 2011	31% new developed policies by 30 June 2011	Review target	Target set too high	
			Percentage of reviewed existing policies, procedures and bylaws	-	-	40% of policies reviewed by 30 June 2011	31% of policies reviewed by 30 June 2011	Review target	Target set too high	
			Percentage of effective implementation of all legal prescripts, policies, procedures and bylaws.	-	-	100% compliant by 30 June 2011	-	Develop "Smart" target	Improper target	

2.4 TECHNICAL SERVICES ANNUAL PERFORMANCE REPORT



Director Technical Services
Mr. M.W Gcabashe

5.1 Structure of the department

The Department of technical services is made up of six sections which are refuse removal and street cleaning, building and maintenance, electrical, Public convenience, parks /Gardens /Cemetery and Transport /Roads. The core functions of the department revolve around these areas.

Refuse Removal and Street Cleaning

The main aim for this section is to improve the quality of life and social well-being of people of the Nquthu Town by keeping the environment clean. Public bins have been procured and will be installed once the designs for resurfacing and installation of storm water pipes on the main road have been finalized. Commercial bins have been ordered and will be delivered. Currently there are two teams: team 1 does street cleaning and team 2 does refuse removal. Both teams start working at 9h00 and knock off at 17h45 thus ensuring that people coming town in the morning find the town clean and people leaving town late will leave the town clean. The department then introduced another team that starts work at 16h15 and finish at 21h15. Major challenges facing this section: shortage of enthusiastic personnel, aging personnel, shortage of vehicles is the hold back on doing more rounds, illegal dumping paints a bad picture, slow distribution of green bins to household owners, proper fencing at the Landfill site to prevent scavengers from entering the site. New refuse removal vehicle to be purchased in the 2011/2012 financial year. Interaction with Umzinyathi DM to rehabilitate the existing landfill site is in progress.

Maintenance of municipal buildings

It is the responsibility of the section to see to it that all Municipal buildings are maintained at all times including cutting of dangerous trees. Currently there are no areas earmarked as parks and gardens. Provision of graves is done as the need arises. Stadium is maintained but the biggest challenge is vandalism. Plans are to be prepared to entice communities to develop ownership of such facilities. Sport and Recreation department has been approached to fund remedial work required on the stadium.

Electrical Section

The main focus of this section is to maintain the existing infrastructure (substations, cables and street lights), ensure that the residents get quality of supply according to the relevant acts and recommend new infrastructure where needed. The Municipality has a license to provide electricity to Nqutu Town while ESKOM provides electricity to all other areas with Municipal boundaries. Random households visit are conducted with the assistance of JIMO to validate prepaid meters and make necessary disconnections, this forms part of improving revenue for the Municipality as there were huge losses associated with bulk electricity purchased from ESKOM. Contractors are called to assist if there is a major breakdown from the electrical system. New connections are done to new households. Major challenges faced by the section are the worse state of electrical infrastructure and vandalism on substations by members of the public

Public convenience

It is the responsibility of the section to ensure that all public toilets within Nquthu Town are kept clean and in hygienic condition for public to use. Public toilets are opened from 7h00 to 17h00 daily.

Parks, Gardens and Cemetery

It is the responsibility of this section to arrange the removal of unwanted trees within the town area, Prepare weekly graves and monitor registration, Cutting of grass at offices, halls and playing grounds while also arranging plantation of trees at municipal offices and community halls.

Roads and stormwater

It is the responsibility of the section to ensure that the public can commute safely in the area. To achieve this it is imperative that tar and gravel roads are maintained to an optimum standard. The stormwater network has to manage and control stormwater run-off in such a way that no loss of life and minimum damage to property occurs. Challenges are residents dumping refuse in open systems causing blockages and breakdown of Municipal Equipment causes delays in expediting service delivery.

Infrastructure Projects

The section focuses on the implementation of the capital budget (MIG) that addresses the creation of new infrastructure and the rehabilitation of existing infrastructure. Challenge is when procurement procedures are delayed and affect the implementation of projects. Below is the list of projects

5.2 Performance report for 2010/11

National KPA	Local KPA (Priority)	Strategic Objective	Performance Indicators	2009/10		2010/11 Target	Actual Achieved end of June 2011	Planned Measures For Improvement	Reason for variances	2011/12 Performance Targets
				Target	Actual					
BASIC SERVICE DELIVERY	Water Services	To ensure access top free basic water and expansion	4 District water and sanitation meetings	4 meetings	4 meetings	4 meetings	4 meetings	Target achieved		4 meetings
	Electricity	To provide electricity to all households within the municipality	Provision of connections to new households and maintenance of the existing infrastructure. e.g Sub station, Mini subs, street lights and cables.	Appoint engineers for Electricity Audit	Engineers Appointed	Visit 1000 households to audit electricity supply	1131 households visited 23 connection to network And 27 disconnection	Target achieved		12 monitoring reports

	Community development	To improve community facilities	Number of Constructed and maintained Community Facilities.	-	-	<ul style="list-style-type: none"> • Construction of three community Facilities. • Maintenance of graves twice a months • Maintenance of verges and public open spaces 	2 community halls constructed Graves maintained twice a month Verges maintained once a month	Stricter monitoring of the contractors	Breakdown in municipal equipment Heavy rain resulted in delays during construction days	<ul style="list-style-type: none"> • Construction of three community Facilities. • Maintenance of graves twice a months • Maintenance of verges and public open spaces
			Improve waste collection service level and cleanliness of the Municipality by weekly door to door waste collection	-	-	Daily Collection of refuse removal in CBD.	Refuse collected daily on the CBD	Target achieved		Daily Collection of refuse removal in CBD.

			Ensure proper onsite storage of household refuse through distribution of green Bins to the households.	-	-	100% distribution of Green Bins to House holds	50% distribution of green Bins	Review target	Public not collecting green bins	Target removed
	Roads and Storm water infrastructure	Improve roads and Storm water infrastructure	Construction of tarred municipal roads including storm water to provide proper access to properties.	-	-	Tarring of 10 km road within the Municipal town boundaries once the DBSA funding is confirmed.	Service provider appointed	Review target	Unforeseen delays	10km of road tarred
			Construction of Gravel roads including storm to provide access to inaccessible areas.	20km	21.8km	Construction of 23 KM Gravel road	21.9km constructed	Stricter monitoring of the contractors	Breakdown in municipal equipment Heavy rain resulted in delays during construction days	20km of road constructed

			Construction of bridges and low level bridges to provide access to inaccessible essential services e.g. Clinics, schools, etc.	-	-	Construction of four bridges and two low level bridges	3 Bridges and 1 low level bridge constructed	Stricter monitoring of the contractors	Breakdown in municipal equipment Heavy rain resulted in delays during construction days	Three bridges
			Maintenance of existing infrastructure	Maintain 50km of road	55km of road maintained	maintenance of 60 km municipal roads and storm water drains	57.2 km of Road maintained	Stricter monitoring of the contractors	Breakdown in municipal equipment Heavy rain resulted in delays during construction days	maintenance of 60 km municipal roads and storm water drains
MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	Municipal Development	To facilitate the implementation of the Performance management System	Departmental Performance reports submitted to the MM's office quarterly.	-	-	Four performance reports by 30 June 2011	Four performance reports Submitted to the MM	Target achieved		Four performance reports by 30 June 2012
			Filling of vacant posts	-	-	All vacant post filled by 30 June 2011	-	Review target	Post not budgeted for	HR Function
		To provide guidance that ensures integrated service delivery in the	Number of IDP steering Committee meetings attended	4 Meetings attended by 30 June 2010	2 Meetings attended by 30 June 2010	4 Meetings attended by 30 June 2011	3 meetings attended	Efficiently disseminate minutes & reminders by MM's Office	IDP/PMS manager only appointed in September 2010	4 Meetings attended by 30 June 2012

		municipality	Number of Provincial and National meetings attended (IGR)	-	-	10 meetings by 30 June 2011	12 meetings attended by 30 June 2011	Target achieved		10 meetings by 30 June 2012
LOCAL ECONOMIC DEVELOPMENT	LED	To create employment opportunities through LED	Promote recycling programmes for Smme's	-	-	To have at least one SMME recycling waste.	Not achieved	Appoint Service provider	Awaiting meeting with DAE	To have at least one SMME recycling waste.
			% percentage of municipal projects employing local people	-	-	80% by 30 June 2011	100%	Target achieved		80% by 30 June 2012
MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT	Financial Management	To facilitate the implementation of a Financial management system	To reduce Audit queries from Technical services in order to have a clean Audit at the end of 2010/11 financial year.	-	-	100% compliance with Municipal Finance Management Act	Not achieved	Review target	Improper target	100% compliance with Municipal Finance Management Act

			To ensure that the Total MIG allocation of infrastructural services is spent.	-	-	100% of effective utilisation of MIG Funds	100% expenditure	Target achieved		100% of effective utilisation of MIG Funds
			Number of SDBIP projects implemented	-	-	All SDBIP projects implemented by 30 June 2011	-	Stricter monitoring	SDBIP not comprehensive	All SDBIP projects implemented by 30 June 2012
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Community Development	To improve municipal standards of operation and ensure proper management	To have Departmental meeting for dissemination of information to the staff members and also to provide platform for staff to raise their satisfaction or dissatisfaction.	-	-	To have six Departmental meetings and 10 with section heads in 2010/11 financial year.	5 meetings held	Efficiently disseminate minutes & reminders	Postponement of meetings	To have 12 Departmental meetings with section heads in

			Ensuring compliance with the Legislation at the landfill site starting by legalising the existing land fill Site.	-	-	To fully equip the land fill site in order to meet the minimum requirements set by Daeard.	Not achieved	Stricter monitoring	Postponement of meetings	To fully equip the land fill site in order to meet the minimum requirements set by Daeard.
			Co-signed attendance register	-	-	12 Co-signed attendance registers by 30 June 2011	-	Stricter monitoring	Improper clock system	12 Co-signed attendance registers by 30 June 2012

2.5 ANNUAL PERFORMANCE REPORT FOR DEPARTMENT OF PLANNING, ECONOMIC DEVELOPMENT, HOUSING AND LAND ADMINISTRATION



Director Planning, Economic Development,
Housing and Land Administration
Mr. M.B. Jiyane

6.1 Structure of the department

The Planning Department is divided into five sections which are the Development management, LED & Tourism, Geographical Information Systems, Housing and land Administration. The duties for these sections are as follows:

❖ **Development Management:**

1. Development Control
2. Development Facilitation
3. Land Use Management

❖ **LED & Tourism;**

1. Project Management
2. Local Economic Development
3. Tourism Promotion
4. International Relations

❖ **Geographical Information System (GIS);**

1. Policy Development & Implementation
2. Data Capture, Analysis, Manipulation & Integration
3. Mapping
4. Municipal Estate Property Management

❖ **Housing;**

1. Housing Plan Review
2. Housing Project Packaging
3. Housing Project management and monitoring

❖ **Land Administration;**

1. Land Management
2. Land Acquisition and Disposal
3. Plans Approval
4. Building Inspection

Department of Planning will be reporting on the Five National Key Performance Areas (KPA) as per the Performance Agreement of the head of Department the table below shows all the progress made in all the Key Performance Indicators that are linked to the Five National KPA up until the 30th June 2011.

6.2 Performance report for 2010/11

National KPA	Local KPA (Priority)	Strategic Objective	Performance Indicators	2009/10		2010/11 Target	Actual Achieved end of June 2011	Planned Measures For Improvement	Reasons for variances	2011/12 Performance Targets
				Target	Actual					
BASIC SERVICE DELIVERY	Community development	To ensure compliance with all pieces of legislation, regulations and controls for land development and building processes	Proper administration of land	Appoint building inspector	Building inspector appointed	Monthly reports by Land Administration Manager	12 reports submitted	Target achieved		12 reports by Land Administration Manager
			Approving of building plans	-	-	Number of building plans approved by 30 June 2011	22 building plans approved	Target achieved		12 inspection reports by 30 June 2012
			Inspection of building and construction	Appoint building inspector	Building inspector appointed	Number of inspection reports by 30 June 2011	17 inspection reports	Target achieved		12 inspection reports by 30 June 2012
	Housing	To decrease the housing backlog	Review Process of Municipal Housing Plan (this is an intervention recurring from last year)	-	-	Submission of Process Plan to Portfolio Committee by August 2010	Process plan submitted to the portfolio committee	Target achieved		

			4 Housing Forum Meetings	4 Housing Forum Meetings	4 Housing Forum Meetings	Presentation of the Report to the Housing Forum by September 2010 and 4 Housing Forum meetings with Minutes and attendance registers by 30 June 2011	6 housing forum meetings held	Target achieved		4 Housing Forum Meetings
			Monitoring of Housing Projects	12 Monitoring Reports	-	12 Monitoring Reports by 30 June 2011	12 monitoring reports	Target achieved		12 Monitoring Reports
MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	Municipal Development	To facilitate the implementation of the Performance management System	Number of departmental performance reports by June 2011.	-	-	4 departmental performance reports by 30 June 2011	4 departmental performance reports submitted	Target achieved		4 departmental performance reports by 30 June 2012
	Community Development	Implementation of LUMS and GIS	Assessment of Draft LUMS by team of professional (COGTA)	-	-	Recommendations by team of professionals (COGTA) by August 2010	Not achieved	Review target	Awaiting COGTA's Input	4 Progress Reports
			Preparations of TOR's for the review of LUMS	Prepare TORs	Not achieved	Terms of Reference finalised by September 2010	Not achieved	Review target	Awaiting COGTA's Input	4 Progress Reports

			Number of development planning reports	-	-	12 development planning reports	12 reports submitted	Target achieved		12 development planning reports
			Implementation of PDA-KZN and relevant legislations	-	-	Number of development applications approved and not approved by 30 June 2011	-		Improper target	
			Managing collection, storage and usage of data through GIS	Revise job description of the GIS officer	Job description revised	12 GIS Monitoring Reports by 30 June 2011	12 Monthly GIS reports	Target achieved		12 GIS Monitoring Reports
			Managing and improvement of Municipal GIS programme	Formulate GIS policy	Not achieved	Number of progress reports by 30 June 2011	12 Monthly GIS reports	Target achieved		Number of progress reports
LOCAL ECONOMIC DEVELOPMENT	LED	To facilitate investment in the municipality	Monitoring the implementation of Flemish / Federal Projects / Programmes	Develop implementation plan	implementation plan developed	4 of Monitoring Reports of both Flemish and Federal Projects by 30 June 2011	4 monitoring reports	Target achieved		4 of Monitoring Reports for both Flemish and Federal Projects

			Monitoring of outdoor advertisement Programme	Draft TOR for outsourcing outdoor advertising management	TOR's drafted & advert for service provider published	4 of Monitoring Reports by 30 June 2011	4 monitoring reports	Target achieved		4 of Monitoring Reports by 30 June 2012
			To ensure proper packaging of land, land ownership and land use	Develop funding proposal for the review of LUMS	Not done	Appointment of Service Provider for the Development of Urban Renewal Framework and Implementation Plan by July 2010	Service provider appointed and UDF developed	Target achieved		-
			Monitor the development of Nquthu Urban Renewal Framework and Implementation Plan	-	-	Prepare number of monitoring reports and close out report for development of urban renewal framework and implementation plan by March 2011	Monthly reports through duration of the project	Target achieved		-
			Formalisation of Nquthu Erf 100 and Nondweni Township (this intervention is recurrence from previous year)	Meet DBSA for funding	Meeting with DBSA held	Follow up with funders on monthly basis	Monthly follow up undertaken	Target achieved		Follow up with funders on monthly basis

			Finalisation of Nquthu LED Strategy and Implementation (this is an intervention recurring from last year)	Funding proposal for LED strategy	Not Achieved	12 progress reports by 30 June 2011	12 progress reports submitted	Target achieved		12 progress reports by 30 June 2012
			Monitoring and expenditure of LED Grants	100% of expenditure of LED	-	12 Monitoring and expenditure Reports by 30 June 2011	12 monitoring reports drafted	Target achieved		12 Monitoring and expenditure Reports by 30 June 2012
		To Facilitate the establishment of LED institutional structures	Establishment of LED Unit by appointing LED and Tourism Manager and training for LED support Structures	-	-	Updated Organogram and job description by July 2010	LED/Tourism Manager appointed	Target achieved		-
			Support of LED Structures: CTO, SMME Forum, Agri Forum, Chamber	Create LED support structures	Monthly meetings with SMME to create support structures	Advertisement and appointment of LED and Tourism Manager by August 2010	LED/Tourism Manager appointed	Target achieved		-

			Formulation and implementation of LED Policies	Funding proposal for LED strategy	Not Achieved	Number of LED Support Programmes by 30 June 2011	4 support programs developed	Target achieved		4 support programs Monitoring reports
			Coordination and Monitoring of LED Projects and Events	100% of expenditure of LED	-	Number of LED policies formulated and implemented by 30 June 2011	3 LED policies formulated	Target achieved		
			LED Structures Meetings	Create LED support structures	Monthly meetings with SMME to create support structures	Number of monitoring reports by 30 June 2011 and Number of meetings with minutes and attendance register by 30 June 2011	12 monitoring reports and 3 meetings held	Target achieved		12 progress reports by 30 June 2012
			Funding of Nquthu Tourism Development Plan (this is an intervention recurring from last year)	Develop funding proposal	Funding proposal developed and presented to Manco	4 Progress Reports by 30 June 2011	4 progress reports	Target achieved		12 funding proposals

			Monitoring the implementation of Flemish / Federal Projects / Programmes	Develop implementation plan	implementation plan developed	Number of Monitoring Reports of both Flemish and Federal Projects by 30 June 2011	4 monitoring reports	Target achieved		4 Monitoring Reports of both Flemish and Federal Projects by 30 June 2012
MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT	Financial management	To facilitate the implementation of the Financial Management System	Number of SDBIP projects implemented	-	-	All SDBIP project implemented by 30 June 2011	-	Stricter monitoring	Unplanned projects	All SDBIP project implemented by 30 June 2012
			% of deviation on the department's budget.	-	-	5 % variance by 30 June 2011		Stricter monitoring	Unplanned projects	5 % variance by 30 June 2012
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Community Development	To improve municipal standards of operation and ensure proper management	Conducting Departmental Meetings	12 departmental meetings	6 meetings held	12 Departmental and Portfolio Meetings with Minutes and Attendance Registers by 30 June 2011	12 monthly meetings held	Target achieved		12 Departmental and Portfolio Meetings with Minutes and Attendance Registers by 30 June 2012

			Number of IDP Steering committee meetings attended	4 meetings by 30 June 2010	2 meetings by 30 June 2010	4 meetings by 30 June 2011	3 meetings by 30 June 2011	Efficiently disseminate minutes & reminders by MM's Office	IDP/PMS manager only appointed in September 2010	4 meetings by 30 June 2012
			Number of provincial and national meetings attended (IGR)	-	-	10 meetings by 30 June 2011	10 meetings attended	Target achieved		10 meetings by 30 June 2012

2.6 MEASURES TO IMPROVE PERFORMANCE

The quarterly reviews were done and the evaluation committee to sat to assess the performance for municipal HODs. These provided a lot of insight as to where the specific challenges are and how the municipality needed to address them. The Municipality also takes part in the UMzinyathi PMS working group meeting where best practices are shared among the municipalities of UMzinyathi. Internally PMS now forms a standing item on the IDP steering committee meetings and MANCO meetings. The Audit committee will be used to assist and advise on issues of Performance management and members also form part of the evaluation committee which assess the performance of the Municipal HODs and Municipal manager. Municipal HODs will also be requested to have monthly meeting with their departments at the meeting PMS will be central to the discussions. The Audit committee will be allowed ethic values every meeting A schedule for departmental meetings has been introduced were PMS will be cascaded down to staff members to make them aware of Key Performance Indicators that they will be responsible for. Quarterly performance reports will be also be submitted to the relevant municipal committees, executive committee and Full Council.

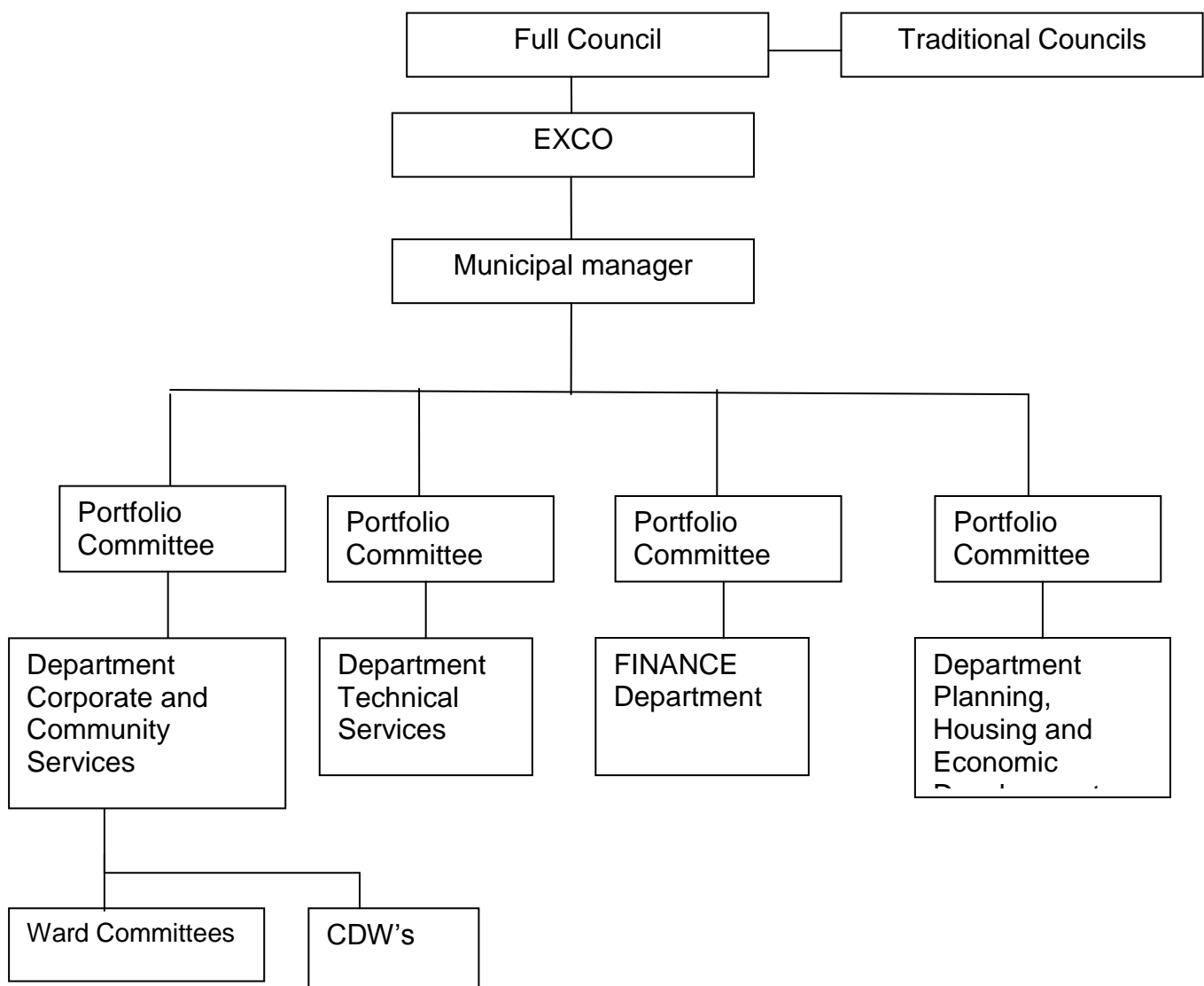
CHAPTER 3: HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT

3.1 Municipal Institutional Arrangements

The diagram below shows the abridged framework for institutional arrangements of Leadership and Administration in the Municipality. The current Nquthu Local Municipality administration comprises the Office of the Municipal Manager and four departments, namely:

- Technical Services,
- Financial Services,
- Corporate & Community Services; and
- Development Planning Housing & Economic Development Housing & Land Administration.

Municipal Organogram



Municipal Governance

The municipality has a total number of **34 constitutionally** elected councillors representing their respective political parties in the municipal governance. The Municipal Governance is proportionally represented as follows:

- IFP – 14;
- NFP–5
- ANC – 14 and
- DA–1

The Executive Committee (EXCO) is made up of six councillors including the Mayor, Deputy Mayor, Speaker (*ex-officio*), and four other EXCO members. Most of the EXCO members preside over specific Portfolio Committees, which ensures necessary strategic direction and active participation by all municipal councillors.

Staff Complement

The Nquthu Local Municipality has a total work force of **127 Staff** members being distributed among the four departments and Office of the MM. The number of the staff is highlighted as per department in a table below:

TABLE: Municipal Staff Component

Department	Staff Component
Office of the Municipal Manager	8
Planning, Economic Development, Housing and Land Administration	6
Corporate Services	28
Finance Department	21
Technical Services	64
Total	127

CHAPTER 4: AUDITED FINANCIAL STATEMENTS AND AUDIT REPORT

4.1 Audited Financial Statements



Nquthu Local Municipality
Annual Financial Statements for the
year ended 30 June 2011

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

General Information

Nature of business and principal activities

Local Municipality

Executive Committee

Cllr. EN Molefe (Mayor)
Cllr. SM Kunene (Deputy Mayor)
Cllr. NM Zungu
Cllr. RS Nyamane
Cllr. ML Dlamini
Cllr. NS Mkhize
Cllr. VB Ntombela (Speaker)

Ordinary Councilors

Cllr. S Ndlovu
Cllr. JC Ndlovu
Cllr. SM Buthelezi
Cllr. GAN Buthelezi
Cllr. LS Sangweni
Cllr. SM Shabangu
Cllr. TW Madondo
Cllr. RS Langa
Cllr. KS Selepe
Cllr. CS Mzizi
Cllr. HM Moloi
Cllr. RA Ndlovu
Cllr. SMC Zikode
Cllr. CT Buthelezi
Cllr. GH Buthelezi
Cllr. LS Hoffman
Cllr. IT Nhlebela
Cllr. TM Ndlovu
Cllr. FA Hlatshwayo
Cllr. PP Khoza
Cllr. EM Mkhwanazi
Cllr. ME Mnguni
Cllr. SP Mazibuko
Cllr. SJ Mkhwanazi
Cllr. ZG Ngcobo
Cllr. BI Zwane
Cllr. ET Zulu

Grading of local authority

Grade 2

Accounting Officer

Mr. Bonginkosi Paul Gumbi

Chief Finance Officer (CFO)

Mr. Welcome Sakhile Mpanza

Registered office

Municipal Building
83/11 Mdalose Street
Nquthu
3135

Business address

Municipal Building
83/11 Mdalose Street
Nquthu

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

General Information

3135

Postal address

Private Bag X 5521
Nquthu
3135

Bankers

ABSA South Africa

Auditors

Auditor General

Attorneys

Kevin Dass Attorneys

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

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The reports and statements set out below comprise the annual financial statements presented to the Nquthu Local Municipality Council.:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

A report of the accounting officer has not been prepared as the municipality is a wholly owned controlled entity of which is incorporated in South Africa.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 44, which have been prepared on the going concern basis, were approved by the on 31 August 2011 and were signed on its behalf by:

Accounting Officer
Designation

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Inventories	5	64,970	211,109
Trade and other receivables from exchange transactions	6	1,220,624	544,441
VAT receivable	7	840,564	964,487
Consumer debtors	8	10,775,985	6,672,301
Cash and cash equivalents	9	32,455,500	10,804,835
		45,357,643	19,197,173
Non-Current Assets			
Investment property	2	1,294,264	1,360,918
Property, plant and equipment	3	69,210,830	54,735,677
Intangible assets	4	50,405	7,138
		70,555,499	56,103,733
Total Assets		115,913,142	75,300,906
Liabilities			
Current Liabilities			
Finance lease obligation	10	724,523	602,918
Trade and other payables from exchange transactions	14	3,281,244	5,516,562
Consumer deposits	16	90,687	85,673
Unspent conditional grants and receipts	11	12,516,511	4,274,040
Provisions	12	1,434,982	1,455,967
DBSA Loan Current portion	13	763,099	757,359
		18,811,046	12,692,519
Non-Current Liabilities			
Finance lease obligation	10	389,917	1,082,398
Provisions	12	193,766	-
DBSA Loan - Long-term portion	13	2,482,480	3,236,355
		3,066,163	4,318,753
Total Liabilities		21,877,209	17,011,272
Net Assets		94,035,933	58,289,634
Net Assets			
Accumulated surplus		94,035,933	58,289,634

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Detailed Income statement

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates	18	5,990,029	3,553,840
Service charges	19	9,456,928	7,554,613
Property rates - penalties imposed and collection charges		739,289	-
Rental of facilities and equipment		526,717	512,331
Fines		280,785	130,150
Government grants & subsidies	20	63,586,658	54,014,379
Commissions received		69,384	-
Other income	21	405,616	523,027
Interest received – investment	26	528,637	262,672
Gains on disposal of assets	26	-	53,976
Total Revenue		81,584,043	66,604,988
Expenditure			
Personnel	23	(17,014,526)	(15,009,557)
Remuneration of councilors	24	(6,050,747)	(4,990,786)
Depreciation and amortization	27	(4,132,696)	(3,722,293)
Finance costs	28	(272,435)	(354,229)
Debt impairment	25	(1,685,214)	(2,313,108)
Repairs and maintenance		(496,651)	(786,018)
Bulk purchases	32	(9,129,916)	(7,964,441)
Contracted services	30	(1,565,471)	(1,555,200)
Grants and subsidies paid	31	(3,909,119)	(15,262,512)
Loss on disposal of assets		(138,511)	-
General Expenses	22	(8,595,334)	(7,562,553)
Total Expenditure		(52,990,620)	(59,520,697)
Surplus for the year		28,593,423	7,084,291

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2009	51,205,343	51,205,343
Changes in net assets		
Surplus for the year	7,084,291	7,084,291
Total changes	7,084,291	7,084,291
Opening balance as previously reported	58,284,836	58,284,836
Adjustments		
Prior year adjustments	7,157,674	7,157,674
Balance at 01 July 2010 as restated	65,442,510	65,442,510
Changes in net assets		
Surplus for the year	28,593,423	28,593,423
Total changes	28,593,423	28,593,423
Balance at 30 June 2011	94,035,933	94,035,933
Note(s)		

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Cash flow statement

Figures in Rand

	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		15,446,957	11,108,453
Grants		63,586,658	54,014,379
Interest income		528,637	262,672
Other receipts		2,021,791	1,219,483
Movement in receivables		(6,195,019)	(2,117,155)
		<u>75,389,024</u>	<u>64,487,832</u>
Payments			
Employee costs		(23,065,273)	(20,000,343)
Suppliers		(23,696,491)	(31,966,858)
Finance costs		(91,303)	(149,749)
Prior year adjustments		(1,118,231)	-
Movement in payables		6,184,938	(697,664)
		<u>(41,786,360)</u>	<u>(52,814,614)</u>
Net cash flows from operating activities	33	33,602,664	11,673,218
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(10,406,326)	(6,806,054)
Proceeds from sale of property, plant and equipment	3	-	144,255
Purchase of other intangible assets	4	(45,537)	(3,238)
Net cash flows from investing activities		(10,451,863)	(6,665,037)
Cash flows from financing activities			
Movement in dbsa loan - long-term portion		(748,135)	(987,508)
Finance lease payments		(752,008)	1,127,668
Net cash flows from financing activities		(1,500,143)	140,160
Net increase/(decrease) in cash and cash equivalents		21,650,658	5,148,341
Cash and cash equivalents at the beginning of the year		10,804,835	5,656,495
Cash and cash equivalents at the end of the year	9	32,455,493	10,804,836

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period, except for the changes set out in the note in the relevant policy.

1.1 Significant judgements and sources of information

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation

is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Transitional provision

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in 2. The transitional provision expires on 30 June 2012.

Accounting Policies

1.2 Investment property (continued)

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and investment property has accordingly been recognised at provisional amounts, as disclosed in 2.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Accounting Policies

1.3 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	
• Office buildings	30
Plant and machinery	3-10
Furniture and fixtures	3-10
Motor vehicles	5
Office equipment	5
IT equipment	5
Computer software	5
Infrastructure	
• Electricity Networks	25-30
• Street lights	25
• Taxi Ranks	20
Community	
• Cemetery	15-25
• Waste sites	25-30
Capital work in progress	
Finance leased Assets	3-5
Investment property	5-30
Heritage	

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Accounting Policies

1.3 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 3. The transitional provision expires on 30 June 2012.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets comprise computer software and anti-virus software and are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided for intangible assets on a straight line basis over the useful life. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Accounting Policies

1.4 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

Trade and other receivables

Trade receivables are measured at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 150 days overdue) are considered indicators that the trade receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other payables

Trade payables are measured at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Accounting Policies

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.9 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Accounting Policies

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.14 Investment income

Interest and rentals are recognised on a time proportion basis.

1.15 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred since it is impractical to capitalise these as the PPE constructed though these borrowings is recognised at fair values.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.19 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.20 Presentation of currency

These annual financial statements are presented in South African Rand.

1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of

1.22 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.23 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.23 Segmental information (continued)

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

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Figures in Rand

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2. Investment property

	2011			2010		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,999,640	(705,376)	1,294,264	1,999,640	(638,722)	1,360,918

Reconciliation of investment property - 2011

	Opening balance	Depreciation	Total
Investment property	1,360,918	(66,654)	1,294,264

Reconciliation of investment property - 2010

	Opening balance	Depreciation	Total
Investment property	1,423,573	(62,655)	1,360,918

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

When the municipality's policy is to subsequently measure investment property on the cost model, when the municipality cannot determine the fair value of the investment property reliably, the municipality must disclose:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie.

Transitional provisions

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

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Figures in Rand

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3. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	14,300,000	-	14,300,000	14,300,000	-	14,300,000
Buildings	23,284,529	(3,583,487)	19,701,042	14,203,752	(3,428,453)	10,775,299
Plant and machinery	6,038,786	(2,000,804)	4,037,982	5,159,558	(1,762,319)	3,397,239
Furniture and fixtures	1,890,283	(593,714)	1,296,569	474,780	(26,718)	448,062
Motor vehicles	3,331,456	(2,430,910)	900,546	3,319,441	(2,896,890)	422,551
IT equipment	978,097	(456,019)	522,078	954,747	(385,323)	569,424
Infrastructure	30,800,187	(13,729,844)	17,070,343	32,314,138	(12,533,323)	19,780,815
Community	1,948,771	(1,132,164)	816,607	3,418,080	-	3,418,080
Capital work in progress	9,589,120	-	9,589,120	-	-	-
Finance leased Assets	1,879,790	(982,135)	897,655	2,045,917	(483,545)	1,562,372
Heritage	78,888	-	78,888	61,835	-	61,835
Total	94,119,907	(24,909,077)	69,210,830	76,252,248	(21,516,571)	54,735,677

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	GRAP Transitional provisions	Depreciation	Total
Land	14,300,000	-	-	-	-	14,300,000
Buildings	10,775,299	-	-	9,793,612	(867,869)	19,701,042
Plant and machinery	3,397,239	147,808	(1,973)	820,798	(325,890)	4,037,982
Furniture and fixtures	448,062	305,763	(13,541)	799,382	(243,097)	1,296,569
Motor vehicles	422,551	-	-	585,402	(107,407)	900,546
IT equipment	569,424	133,054	(7,969)	(17,672)	(154,759)	522,078
Infrastructure	19,780,815	-	-	(1,049,409)	(1,661,063)	17,070,343
Community	3,418,080	-	-	(2,561,712)	(39,761)	816,607
Capital work in progress	-	9,589,120	-	-	-	9,589,120
Finance leased Assets	1,562,372	230,581	(115,028)	(116,347)	(663,923)	897,655
Heritage	61,835	-	-	17,053	-	78,888
	54,735,677	10,406,326	(138,511)	8,271,107	(4,063,769)	69,210,830

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Reclassification	Depreciation	Total
Land	14,300,000	-	-	-	-	14,300,000
Buildings	13,689,780	392,853	-	(2,824,073)	(483,261)	10,775,299
Plant and machinery	1,779,328	2,619,345	-	(659,173)	(342,261)	3,397,239
Furniture and fixtures	358,127	964,759	-	(691,468)	(183,356)	448,062
Motor vehicles	953,572	1,325,311	-	(1,263,822)	(592,510)	422,551
IT equipment	194,729	207,380	-	256,575	(89,260)	569,424
Infrastructure	19,229,945	1,296,406	-	1,056,762	(1,802,298)	19,780,815
Community	950,030	-	-	2,562,830	(94,780)	3,418,080
Finance leased Assets	161,294	-	(90,279)	1,562,371	(71,014)	1,562,372
Heritage	61,835	-	-	-	-	61,835
	51,678,640	6,806,054	(90,279)	2	(3,658,740)	54,735,677

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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3. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Finance leased Assets	897,655	1,562,372
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Other information

Transitional provisions

Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 3, certain property, plant and equipment with a carrying value of R 7,931,803 (2010: R 49,961,470) was recognised at provisional amounts.

Steps taken to establish the values of property, plant and equipment recognised at provisional amounts due to the initial adoption of GRAP 17, is as follows:

The Municipality has appointed a suitably qualified consultants to perform a complete valuation of all assets for the period of three financial years.

The date at which full compliance with GRAP 17 is expected is 30 June 2012.

As part of the identification and recognition of PPE process there was a reclassification of PPE in terms of GRAP classification from the previous classifications used, adjustments between classes were made.

Leased assets with a book value of R 1 014 077 (2010:R1 562 372) are encumbered refer to note 10.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

For a detailed breakdown of PPE refer to Appendix B and C.

4. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	80,830	(30,425)	50,405	35,293	(28,155)	7,138

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	7,138	45,537	(2,270)	50,405

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	4,799	3,238	(899)	7,138

5. Inventories

Consumable stores	64,970	211,109
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Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
6. Trade and other receivables from exchange transactions		
Other debtors	1,220,624	544,441
7. VAT receivable		
Value Added Tax (VAT)	840,564	964,487

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

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8. Consumer debtors

Gross balances

Rates	7,109,350	2,973,102
Electricity	1,542,083	2,274,723
Refuse	5,878,234	3,457,934
Market stall rentals	287,159	321,644
Other (old)	6,986,401	6,986,401
	21,803,227	16,013,804

Less: Provision for debt impairment

Rates	(856,660)	(827,583)
Electricity	(2,151,601)	(569,882)
Refuse	(1,030,312)	(957,637)
Market stalls rental	(2,268)	-
Other (old)	(6,986,401)	(6,986,401)
	(11,027,242)	(9,341,503)

Net balance

Rates	6,252,690	2,145,519
Electricity	(609,518)	1,704,841
Refuse	4,847,922	2,500,297
Market stall rentals	284,891	321,644
	10,775,985	6,672,301

Rates

Current (0 -30 days)	485,915	432,785
31 - 60 days	430,136	77,302
61 - 90 days	364,679	106,711
91 - 120 days	364,982	427,136
121 - 365 days	389,375	1,996,008
> 365 days	5,074,964	2,473,769
	7,110,051	5,513,711

Electricity

Current (0 -30 days)	341,608	406,112
31 - 60 days	140,130	277,344
61 - 90 days	55,788	196,609
91 - 120 days	50,698	271,623
121 - 365 days	52,476	963,292
> 365 days	829,190	1,685,762
	1,469,890	3,800,742

Refuse

Current (0 -30 days)	359,517	340,403
31 - 60 days	320,961	239,692
61 - 90 days	323,494	220,318
91 - 120 days	313,772	229,972
121 - 365 days	296,510	2,510,451
> 365 days	4,554,913	2,826,871
	6,169,167	6,367,707

Market stalls rental

Current (0 -30 days)	22,006	283,029
31 - 60 days	20,584	1,859

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
8. Consumer debtors (continued)		
61 - 90 days	16,471	1,924
91 - 120 days	13,165	34,544
121 - 365 days	10,792	288
> 365 days	201,873	-
	284,891	321,644
Other (old)		
> 365 days	6,986,401	6,986,401
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	420,818	446,672
31 - 60 days	389,453	323,440
61 - 90 days	376,973	219,536
91 - 120 days	353,657	372,353
121 - 365 days	343,539	174,448
> 365 days	5,796,900	3,431,616
	7,681,340	4,968,065
Industrial/ commercial		
Current (0 -30 days)	247,774	236,685
31 - 60 days	38,059	127,873
61 - 90 days	38,490	81,099
91 - 120 days	41,039	186,372
121 - 365 days	27,776	43,695
> 365 days	444,458	287,461
	837,596	963,185
National and provincial government		
Current (0 -30 days)	354,022	377,109
31 - 60 days	302,094	227,982
61 - 90 days	214,042	223,078
91 - 120 days	211,525	402,738
121 - 365 days	213,725	167,155
> 365 days	2,963,044	1,183,492
	4,258,452	2,581,554
Other (Market Stalls Debtors and other sundry)		
Current (0 -30 days)	186,342	507,510
31 - 60 days	182,206	5,726
61 - 90 days	130,927	1,848
91 - 120 days	136,396	2,338
121 - 365 days	164,112	1,540
> 365 days	1,310,875	13,062
	2,110,858	532,024
Old debtors		
> 365 days	6,986,401	6,986,401
Total		
Current (0 -30 days)	1,208,956	1,567,976
31 - 60 days	911,812	685,021
61 - 90 days	760,432	525,561

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
8. Consumer debtors (continued)		
91 - 120 days	742,617	963,801
121 - 365 days	749,152	386,838
> 365 days	17,426,785	11,885,132
	21,799,754	16,014,329
	(11,023,769)	(9,342,028)
Less: Provision for debt impairment	10,775,985	6,672,301
Reconciliation of debt impairment provision		
Balance at beginning of the year	9,342,028	7,028,920
Contributions to provision	1,681,741	2,313,108
	11,023,769	9,342,028
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	17,169,626	10,804,835
Short-term deposits	15,285,874	-
	32,455,500	10,804,835
Investments		
Nedbank	5,000,000	-
Grindrod Bank	5,000,000	-
ABSA Bank	5,000,000	-
	15,000,000	-
Interest earned		
Nedbank (call account @ 5.00%)	62,588	-
Grindrod Bank (30 days fixed deposit @ 5.80%)	113,454	-
ABSA Bank (32 days fixed deposit @ 5.45%)	109,831	-
	285,873	-

Funds not immediately available are invested with commercial banks in terms of the Cash and Investment policy and Municipal Investment Regulations.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
ABSA BANK - Cheque Account - 405-3562-762	4,485,801	1,613,583	404,348	4,473,846	1,613,583	404,348
ABSA BANK - Cheque Account Semi-Dormant - 406-1817-353	3,938,667	47,260	48,436	3,938,531	48,436	48,436
ABSA BANK - Savings Account Type - 914-2845-014	8,761,242	10,098,931	3,993,018	8,761,242	10,098,931	3,993,018
ABSA BANK - Account Type - 916-8827-648Closed Account	-	1,458	1,458	-	1,458	1,458
Total	17,185,710	11,761,232	4,447,260	17,173,619	11,762,408	4,447,260

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
10. Finance lease obligation		
Minimum lease payments due		
- within one year	891,918	813,237
- in second to fifth year inclusive	356,206	1,208,925
	1,248,124	2,022,162
less: future finance charges	(133,684)	(336,846)
Present value of minimum lease payments	1,114,440	1,685,316
Present value of minimum lease payments due		
- within one year	724,523	602,918
- in second to fifth year inclusive	389,917	1,082,398
	1,114,440	1,685,316
Non-current liabilities	389,917	1,082,398
Current liabilities	724,523	602,918
	1,114,440	1,685,316

Interest rates are fixed on the contract date. All lease escalate at between 10% and 15% p.a and no arrangements have been entered into for contingent rent.

The average lease term is 3 years and the average effective borrowing rate was 12% (2010: 12%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Anti Corruption	-	39,085
Municipal Government Grant	23,974	600,000
Capacity Building	94,484	199,133
Corridor Development	1,784,115	2,332,499
MPCC	500,000	500,000
MFMA	105,127	105,127
Cybercadet	118,729	139,051
IDP	4,604	4,604
MIG	747,455	(42,671)
Financial System Grant	(345,444)	(345,444)
MAP	216,498	526,645
MSIG	20,376	4,866
FMG	9,729	1,664
Public Participation	(60,438)	(60,438)
Synergistic	245,906	247,450
Youth Fund	-	22,469
Bornem grant	46,318	-
Rehabilitation of CBD Roads grant	9,000,000	-
Library Volunteer	5,078	-
	12,516,511	4,274,040

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note Appendix F for reconciliation of grants from National/Provincial Government.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

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2010

11. Unspent conditional grants and receipts (continued)

These amounts are invested in a ring-fenced investment until utilised.

12. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions the year	Utilised during	Total
Environmental rehabilitation	-	193,766	-	193,766
Leave pay provision	1,455,967	-	(20,985)	1,434,982
	1,455,967	193,766	(20,985)	1,628,748

Reconciliation of provisions - 2010

	Opening Balance	Additions	Total
Leave pay provision	1,315,936	140,031	1,455,967
Non-current liabilities		193,766	-
Current liabilities		1,434,982	1,455,967
		1,628,748	1,455,967

Environmental rehabilitation provision

The municipality is required to provide for the rehabilitation of the landfill site after the end of its useful life. The cost to rehabilitate the landfill site has been estimated by the engineers to be R 500 000 and the remaining life is 10-12 years.

13. DBSA Loan - Long-term portion

Refer to Appendix A for the reconciliation of external loans.

DBSA Loan - account number 100524/2	2,001,341	2,560,277
DBSA Loan - account number 100524/3	1,244,243	1,433,437
Less - Current Portion of DBSA Loans	(763,099)	(757,359)
	2,482,485	3,236,355

14. Trade and other payables from exchange transactions

Trade payables	2,015,267	4,729,937
Accrued bonus	852,500	753,728
Other payables	52,525	32,897
Retentions - Capital projects	360,952	-
	3,281,244	5,516,562

15. VAT payable

16. Consumer deposits

Electricity	90,687	85,673
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Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
17. Revenue		
Property rates	5,990,029	3,553,840
Property rates – Penalties imposed and collection charges	739,289	-
Service charges	9,456,928	7,554,613
Rental of facilities & equipment	526,717	512,331
Fines	280,785	130,150
Government grants & subsidies	63,586,658	54,014,379
	80,580,406	65,765,313
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	9,456,928	7,554,613
Rental of facilities & equipment	526,717	512,331
	9,983,645	8,066,944
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	5,990,029	3,553,840
Property rates – Penalties imposed and collection charges	739,289	-
Fines	280,785	130,150
Transfer revenue		
Government grants & subsidies	63,586,658	54,014,379
Other income	405,616	523,027
Gain or loss on disposal of assets and liabilities	(138,511)	53,976
	70,863,866	58,275,372
18. Property rates		
Rates received		
Property rates	5,990,029	3,553,840
Property rates - penalties imposed and collection charges	739,289	-
	6,729,318	3,553,840
Valuations		
Residential	321,583,000	321,583,000
Commercial	231,798,000	231,798,000
State	340,706,000	340,706,000
Municipal	25,432,000	25,432,000
	919,519,000	919,519,000

Valuations on land and buildings are performed every 3 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Different rate randage are charged for different categories of rate payers. No additional rebates were granted to any categories of ratepayers except for the compulsory phasing in of certain rates as contained in the Council's approved Property Rates Policy.

Rates are levied on a monthly basis in 12 equal installments payable on the 15th of the subsequent month. Interest is charged on outstanding rates accounts.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
19. Service charges		
Sale of electricity	6,222,647	5,000,417
Refuse removal	3,234,281	2,554,196
	9,456,928	7,554,613

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
20. Government grants and subsidies		
Equitable share	47,451,442	36,894,760
Corridor Development Grant	548,384	35,500
Cybercadet Grant	663,854	205,213
Financial Management Grant	-	1,524,774
MAP Income	310,148	563,643
Financial Management Grant	1,196,138	1,166,128
Municipal System Improve Grant	734,490	809,750
Capacity Building Grant	104,649	-
Public Participation Income	-	97,455
Synergetic Partnership Program	1,544	97,160
Youth Fund	22,469	21,403
Municipal Governance Grant	576,026	-
Library Volunteer Grant	6,922	-
Bornem Grant	101,568	-
Anti-Corruption Strategy Grant	39,085	-
Municipal Infrastructure Grant	11,829,939	12,598,593
	63,586,658	54,014,379

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All the residents with electricity get a Free Basic Electricity monthly allowance of 50kWh - (2010: 50kWh -), which is funded from the grant.

Ant-corruption Strategy Grant

Balance unspent at beginning of year	39,085	39,085
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Conditions still to be met - remain liabilities (see note 11).

Municipal Governance Grant

Balance unspent at beginning of year	600,000	-
Current-year receipts	-	600,000
Conditions met - transferred to revenue	(576,026)	-
	23,974	600,000

Conditions still to be met - remain liabilities (see note 11).

Capacity Building Grant

Balance unspent at beginning of year	199,133	199,133
Conditions met - transferred to revenue	(104,649)	-
	94,484	199,133

Conditions still to be met - remain liabilities (see note 11).

Corridor Development Grant

Balance unspent at beginning of year	2,332,499	2,367,999
Conditions met - transferred to revenue	(548,384)	(35,500)
	1,784,115	2,332,499

Conditions still to be met - remain liabilities (see note 11).

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
20. Government grants and subsidies (continued)		
MPCC Grant		
Balance unspent at beginning of year	500,000	500,000
Conditions still to be met - remain liabilities (see note 11).		
MFMA Grant (Provincial)		
Balance unspent at beginning of year	105,127	105,127
Conditions still to be met - remain liabilities (see note 11).		
Cybercadet Grant		
Balance unspent at beginning of year	139,050	152,263
Current-year receipts	643,533	192,000
Conditions met - transferred to revenue	(663,854)	(205,213)
	118,729	139,050
Conditions still to be met - remain liabilities (see note 11).		
IDP Grant		
Balance unspent at beginning of year	4,604	26,007
Conditions met - transferred to revenue	-	(21,403)
	4,604	4,604
Conditions still to be met - remain liabilities (see note 11).		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	(535,142)	390,266
Current-year receipts	12,977,000	13,597,000
Conditions met - transferred to revenue	(11,833,450)	(14,522,408)
	608,408	(535,142)
Conditions still to be met - remain liabilities (see note 11).		
Financial System Grant (DBSA & COGTA)		
Balance unspent at beginning of year	(345,444)	700,000
Conditions met - transferred to revenue	-	(1,045,444)
	(345,444)	(345,444)
Conditions still to be met - remain liabilities (see note 11).		
Management Assistance Program Grant (MAP)		
Balance unspent at beginning of year	526,645	1,090,288
Conditions met - transferred to revenue	(310,143)	(563,643)
	216,502	526,645
Conditions still to be met - remain liabilities (see note 11).		

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
20. Government grants and subsidies (continued)		
Municipal Systems Improvement Grant		
Balance unspent at beginning of year	4,867	79,616
Current-year receipts	750,000	735,000
Conditions met - transferred to revenue	(734,491)	(809,749)
	20,376	4,867
Conditions still to be met - remain liabilities (see note 11).		
Housing Grant		
Balance unspent at beginning of year	(110,100)	-
Conditions met - transferred to revenue	-	(110,100)
	(110,100)	(110,100)
Conditions still to be met - remain liabilities (see note 11).		
Finance Management Grant (National Treasury)		
Balance unspent at beginning of year	1,638	167,792
Current-year receipts	1,250,000	1,000,000
Conditions met - transferred to revenue	(1,241,909)	(1,166,154)
	9,729	1,638
Conditions still to be met - remain liabilities (see note 11).		
Public Participation Grant		
Balance unspent at beginning of year	(60,438)	(60,438)
Conditions still to be met - remain liabilities (see note 11).		
Synergistic Partnerships Grant		
Balance unspent at beginning of year	247,450	344,610
Conditions met - transferred to revenue	(1,544)	(97,160)
	245,906	247,450
Conditions still to be met - remain liabilities (see note 11).		
Youth Fund Grant (Umsobomvu/NYDA)		
Balance unspent at beginning of year	22,469	179,008
Conditions met - transferred to revenue	(22,469)	(156,539)
	-	22,469
Conditions still to be met - remain liabilities (see note 11).		
Changes in level of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2011), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
21. Other income		
Clearance Certificates	3,863	1,047
Signs	59,554	19,794
Connection fees	53,382	130,260
Building Plans	23,610	9,281
Burial fees	37,526	40,325
Tender monies	128,783	33,809
Donation	-	42,000
Sundry Income	32,004	246,511
KZN Planning & Development Act Fees	1,316	-
GIS Maps sales	381	-
Library Fines	6,389	-
LGSETA Allowance	52,900	-
Printing & Photocopy	5,908	-
	405,616	523,027
22. General expenses		
Advertising	102,073	142,968
Auditors remuneration	1,458,316	787,355
Bank charges	69,697	70,733
Cleaning	-	12,215
Consulting and professional fees	1,633,085	1,241,572
Consumables	742,136	833,747
Entertainment	50,995	41,052
Fines and penalties	28,976	-
Insurance	400,765	180,099
Youth development	476,233	354,676
IT expenses	51,690	2,900
Marketing	55,532	-
Promotions and sponsorships	-	15,135
Motor vehicle expenses	26,659	85,077
Fuel and oil	484,934	396,545
Printing and stationery	323,094	322,157
Community Development Projects	1,019,157	305,347
Software expenses	245,966	51,584
Subscriptions and membership fees	147,835	297,155
Telephone and fax	364,044	458,911
Training	38,873	55,199
Travel – local	293,123	364,467
Electricity	167,159	-
Uniforms	146,110	97,300
Tourism development	55,000	50,000
Audit Committee	24,843	23,525
Indigent (FBE)	1,041,598	1,288,578
VAT adjustment	(880,697)	-
Other expenses	12,139	84,256
Restructuring	15,999	-
	8,595,334	7,562,553

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
23. Employee related costs		
Basic	12,217,958	10,663,375
Bonus	993,076	961,143
Medical aid - company contributions	540,873	395,748
UIF	114,184	102,356
SDL	144,692	104,512
Leave pay provision charge	72,021	140,031
Group Life Insurance	11,070	20,394
Post-employment benefits - Pension - Defined contribution plan	1,408,208	1,198,211
Overtime payments	67,546	68,910
Car allowance	1,085,150	1,060,832
Housing benefits and allowances	300,286	197,685
Telephone and Cellphone Allowance	59,462	96,360
	17,014,526	15,009,557
Remuneration of municipal manager		
Annual Remuneration	782,940	731,720
Contributions to UIF, Medical and Pension Funds	9,083	8,660
Cellphone Allowance	12,000	12,000
	804,023	752,380
Remuneration of chief finance officer		
Annual Remuneration	636,940	542,118
Contributions to UIF, Medical and Pension Funds	7,356	6,447
Cellphone Allowance	6,000	6,000
	650,296	554,565
Corporate and community resources		
Annual Remuneration	621,147	580,727
Contributions to UIF, Medical and Pension Funds	7,570	7,116
Cellphone Allowances	6,000	6,000
	634,717	593,843
Development planning and Housing		
Annual Remuneration	531,615	534,720
Contributions to UIF, Medical and Pension Funds	5,995	6,808
Cellphone Allowance	6,000	6,000
	543,610	547,528
Technical Services		
Annual Remuneration	614,367	304,464
Contributions to UIF, Medical and Pension Funds	7,112	3,598
Cellphone Allowance	6,000	6,000
	627,479	314,062

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
24. Remuneration of councillors		
Mayor	313,268	154,908
Deputy Mayor	253,595	237,098
Executive Committee Members	970,721	774,141
Speaker	254,097	179,998
Ordinary Councillors	4,174,079	3,588,829
Contributions to UIF and SDL	84,987	55,812
	6,050,747	4,990,786
In-kind benefits		
The Mayor, Deputy Mayor, Speaker are part-time. Each is provided with an office and the Mayor is provided with secretarial support at the cost of the Council.		
The Mayor have the use of Council owned vehicle for official duties.		
The Mayor has one full-time driver.		
25. Debt impairment		
Provision for bad debts	1,685,214	2,313,108
26. Investment revenue		
Interest revenue		
Bank	528,637	262,672
27. Depreciation and amortisation		
Property, plant and equipment	4,130,426	3,721,394
Intangible assets	2,270	899
	4,132,696	3,722,293
28. Finance costs		
Non-current borrowings	91,303	149,749
Finance leases	181,132	204,480
	272,435	354,229
29. Auditors' remuneration		
Fees	1,458,316	787,355
30. Contracted services		
Firefighting Services	1,044,479	977,788
Security	520,992	577,412
	1,565,471	1,555,200

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
31. Grants and subsidies paid		
Financial System	-	1,319,443
Public Participation	-	97,455
Municipal Infrastructure Grant	-	11,706,350
Municipal Systems Improvement Grant	660,463	347,815
Municipal Finance Management Grant	-	777,850
Cvbercadet Grant	656,815	205,213
KZN Treasury (Housing)	-	465
DLGTA-GIS	-	24,832
Corridor Development Grant	481,100	28,000
DLGTA- IDP	-	88,764
Synergistic Partnership	1,544	85,866
Management Assistance Program	278,415	483,259
Municipal Finance Management Grant	958,022	97,200
Bornem Grant	96,363	-
Youth Fund Grant (NYDA)	22,469	-
Municipal Governance Grant	576,026	-
Anti-Corruption Strategy	39,085	-
Capacity Building	138,817	-
	3,909,119	15,262,512
32. Bulk purchases		
Electricity	9,129,916	7,964,441
33. Cash generated from operations		
Surplus Adjustments for:	28,593,423	7,084,291
Depreciation and amortisation	4,132,696	3,722,293
Gain (loss) on sale of assets and liabilities	138,511	(53,976)
Fair value adjustments	(8,271,107)	-
Finance costs - Finance leases	181,132	204,480
Debt impairment	1,685,214	2,313,108
Movements in provisions	172,781	140,031
Prior year adjustment	7,152,876	-
Changes in working capital:		
Inventories	146,139	(211,109)
Trade and other receivables from exchange transactions	(676,183)	273,607
Consumer debtors	(5,788,898)	(4,869,209)
Trade and other payables from exchange transactions	(2,235,328)	2,608,578
VAT	123,923	2,477,922
Unspent conditional grants and receipts	8,242,471	(2,102,471)
Consumer deposits	5,014	85,673
	33,602,664	11,673,218

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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34. Commitments

Authorised capital expenditure

Already contracted

• Property, plant and equipment	1,735,256	26,521,751
• Property, plant and equipment (Work in progress)	28,750,505	-
	30,485,761	26,521,751

This committed expenditure relates to plant and equipment and will be financed by retained surpluses, unspent grants, existing cash resources, funds internally generated, etc.

35. Contingencies

The Municipality has the following contingent liabilities:

A middle-income housing developer contracted by the municipality is suing the municipality for an alleged breach of the contract and the municipality is defending the matter and is awaiting legal advice of the Senior Counsel

Litigation is in the process against the municipality relating to a dispute with an ex-staff member who is claiming accumulated leave of approximately R308 000, 00 together with interest of 15, 5 %. The matter is still under litigation.

The ex-staff member has referred an application for review to the labour court claiming he was unfairly dismissed. The matter is still under litigation.

A supplier instituted action in the High Court claiming approximately R2 500 000 plus interest. The municipality has raised a counterclaim of R750 000, 00. The supplier's claim is contrary to the agreed contract with the municipality and the matter is still under litigation.

A cession holder is co-suing the municipality for the unpaid cession that was entered into with a contractor appointed by the municipality for an amount of R 170 000, the municipality is defending this claim as the contractor never submitted the notice to pay the cession holder.

36. Related parties

The municipality does not have any related parties.

The municipality did not have any related party transactions.

37. Change in estimate

Property, plant and equipment

Heritage assets were previously depreciated and this financial year this was corrected and accumulated depreciation been reversed.

38. Prior period errors

The future use of vacant land that the municipality owns has not been determined as yet and this must be classified as Investment property.

PPE to the value of R 7 931 803 recognised in the prior and was subsequently recognised this year. This is part of implementation of GRAP Directive 4.

Payments made to consultants working on VAT was incorrectly debited into VAT control Account instead of consultation fees.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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38. Prior period errors (continued)

Statement of financial position

Increase in Property, plant and equipment	-	7,931,803
Decrease in Accumulated Depreciation	-	17,053
Decrease in VAT control account	-	1,289,031
Opening Accumulated Surplus or Deficit	-	(323,881)
Increase in Long-term provisions	-	177,767

Statement of Financial Performance

Provision - Landfill site rehabilitation	-	177,767
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39. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

40. Fruitless and wasteful expenditure

Interest paid - overdue payables	19,974	-
SARS - penalties on late payments	289,652	-
	309,626	-

The matter is being investigated by the office of the Accounting Officer for possible disciplinary action against the official who caused the municipality to suffer loss.

41. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Amount paid - current year	134,395	81,380
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Audit fees

Current year subscription / fee	913,073	787,355
Amount paid - current year	(913,073)	(787,355)
	-	-

PAYE and UIF

Current year deductions and council contributions	3,449,567	2,474,260
Amount paid - current year	(3,449,567)	(2,474,260)
	-	-

Pension and Medical Aid Deductions

Current year deductions and council contributions	3,378,744	3,123,626
Amount paid - current year	(3,378,744)	(3,123,626)
	-	-

VAT

VAT receivable	840,564	964,487
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All VAT returns have been submitted by the due date throughout the year.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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41. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councilor IT Nhlebela	765	5,108	5,873
Councilor IT Nhlebela	765	5,111	5,876
Councilor IT Nhlebela	758	4,687	5,445
Councilor ZG Ngcobo	420	2,806	3,226
Councilor ZG Ngcobo	468	3,343	3,811
	3,176	21,055	24,231
30 June 2010	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councilor TC Njoko	1,093	-	1,093
Councilor GJG Mncube	867	-	867
Councilor VB Ntombela	58	-	58
Councilor NN Khanyile	1,343	-	1,343
	3,361	-	3,361

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

42. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

There are no deviations that occurred in a financial year under review.

43. Material Losses - Electricity

Electricity losses	kWh	R
Purchased	18,097,201	8,962,336
Sold	(5,578,996)	(7,098,547)
Material Losses	12,518,205	1,863,789

The municipality is licensed by the National Electricity Regulator of South Africa to distribute electricity within the proclaimed area of Nquthu Town.

The municipality has investigated the causes of the losses and the major contributing factor are illegal connections and tampering.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

44. Statement of comparative and actual information

2011

(i.t.o. s28 and s31 of the MFMA)	Original budget	Budget adjustments	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance								
Property rates	8,866,875	-	8,866,875	8,866,875	6,729,318	2,137,557	76 %	76 %
Service charges	11,368,396	-	11,368,396	11,368,396	9,456,928	1,911,468	83 %	83 %
Investment revenue	160,000	-	160,000	160,000	528,637	(368,637)	330 %	330 %
Transfers recognised – operational	59,094,533	-	76,571,533	76,571,533	51,756,719	24,814,814	68 %	88 %
Other own revenue	853,800	-	849,700	849,700	1,282,502	(432,802)	151 %	150 %
Total revenue (excluding capital transfers and contributions)	80,343,604	-	97,816,504	97,816,504	69,754,104	28,062,400	71 %	87 %
Employee costs	(22,217,294)	-	(22,217,294)	(22,217,294)	(17,014,526)	(5,202,768)	77 %	77 %
Remuneration of councilors	(6,277,196)	-	(6,277,196)	(6,277,196)	(6,050,747)	(226,449)	96 %	96 %
Debt impairment	(683,042)	-	(683,042)	(683,042)	(1,685,214)	1,002,172	247 %	247 %
Depreciation and asset impairment	(683,042)	-	(683,042)	(683,042)	(4,132,696)	3,449,654	605 %	605 %
Finance charges	(150,000)	-	(150,000)	(150,000)	(272,435)	122,435	182 %	182 %
Bulk purchases – electricity	(9,940,776)	-	(9,940,776)	(9,940,776)	(9,129,916)	(810,860)	92 %	92 %
Transfers and grants	(29,143,533)	-	(29,143,533)	(29,143,533)	(3,909,119)	(25,234,414)	13 %	13 %
Other expenditure	(18,140,959)	-	(18,136,859)	(18,136,859)	(10,795,967)	(7,340,892)	60 %	60 %
Total expenditure	(87,235,842)	-	(87,231,742)	(87,231,742)	(52,990,620)	(34,241,122)	61 %	61 %
Surplus/(Deficit)	(6,892,238)	-		10,584,762	16,763,484	(6,178,722)	158 %	(243)%

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

44. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	17,477,000	-	-	-	11,829,939	(11,829,939)	DIV/0 %	68 %
Surplus (Deficit) after capital transfers and contributions	10,584,762	-	-	10,584,762	28,593,423	(18,008,661)	270 %	270 %
Surplus/(Deficit) for the year	10,584,762	-	-	10,584,762	28,593,423	(18,008,661)	270 %	270 %

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

44. Statement of comparative and actual information (continued)

(i.t.o. s28 and s31 of the MFMA)	Original budget	Budget adjustments	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources								
Total capital expenditure	26,500,000	-	-	-	9,589,120	(9,589,120)	DIV/0 %	36 %
Sources of capital funds								
Transfers recognised - capital	17,477,000	-		-	-	-	DIV/0 %	- %
Internally generated funds	23,000	-		-	-	-	DIV/0 %	- %
Total sources of capital funds	17,500,000	-		-	-	-	DIV/0 %	- %

Explanation of variance of above 10%

1. Property rates:- the revenue foregone through rebates

2. Service charges:- the electricity revenue is dependant on the usage by consumers

3. Interest received:- we are discouraged to have excess cash and we do not budget for investments but should there e excess cash it is invested.

4. Grants:- disclosure of capital grants

5. Other revenue:- electricity tempering penalties are dependent on successful investigations and cannot be estimated accurately

6. Employee costs:- control of overtime and employees not utilising benefits like housing.

7. Debt impairment:- a revised calculation during audit increase the provision

8. Depreciation and asset impairment:- as part of GRAP 17 and directive 4 the PPE component is still being finalised and the depreciation calculations are not yet final.

9. Finance charges:- interest on finance

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

44. Statement of comparative and actual information (continued)

10. Bulk purchases - electricity:- based on consumption by residents which is fluctuating

11. Transfers and grants:- disclosure of capital grants

12. Other expenditure:- check if budget figure is correct

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Nquthu Local Municipality
Appendix A
June 2011

Schedule of external loans as at 30 June 2011

	Loan Number	Redeemable 30 June	Balance at 2010	Received during the period	Redeemed written off during the period	Balance at 30 June 2011	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Rand				Rand	Rand	Rand		
Development Bank of South Africa								
DBSA Loan @ 1%	100524/2	December 2014	2,560,277	-	558,936	2,001,341	6,330,266	-
DBSA Loan @ 5%	100524/3	January 2016	1,433,437	-	189,194	1,244,243	1,604,137	-
			3,993,714	-	748,130	3,245,584	7,934,403	-
Total external loans			3,993,714	-	748,130	3,245,584	7,934,403	-

June 2011

Land and buildings

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Nquthu Local Municipality
Nquthu Local Municipality
Appendix B

June 2011

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, Movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Jewellery	78,888	-	-	-	-	-	78,888	-	-	-	-	-	-	78,888
	78,888	-	-	-	-	-	78,888	-	-	-	-	-	-	78,888
Other assets														
Motor Vehicles	3,288,952	42,504	-	-	-	-	3,331,456	(2,323,503)	-	-	(107,407)	-	(2,430,910)	900,546
Plant & equipment	5,818,733	226,871	(4,845)	-	-	-	6,040,759	(1,677,786)	2,872	-	(325,890)	-	(2,000,804)	4,039,955
Computer Equipment	698,172	309,219	(15,753)	-	-	-	991,638	(303,471)	2,212	-	(154,759)	-	(456,018)	535,620
Office Equipment	936,195	972,185	(11,521)	-	-	-	1,896,859	(354,169)	3,552	-	(243,097)	-	(593,714)	1,303,145
Bins and Containers	5,594	-	-	-	-	-	5,594	(5,594)	-	-	-	-	(5,594)	-
Other Assets - Leased	2,045,917	230,581	(280,286)	-	-	-	1,996,212	(483,470)	165,258	-	(663,923)	-	(982,135)	1,014,077
	12,793,563	1,781,360	(312,405)	-	-	-	14,262,518	(5,486,445)	173,894	-	(1,495,076)	-	(6,807,627)	7,454,891
Total property plant and equipment														
Land and buildings	26,446,477	5,892,628	-	-	-	-	32,339,105	(2,015,411)	-	-	(743,168)	-	(2,758,579)	29,580,526
Infrastructure	30,800,187	-	-	-	-	-	30,800,187	(12,068,781)	-	-	(1,661,062)	-	(13,729,843)	17,070,344
Community Assets	6,113,578	1,075,021	-	-	-	-	7,188,599	(1,448,562)	-	-	(164,465)	-	(1,613,027)	5,575,572
Heritage assets	78,888	-	-	-	-	-	78,888	-	-	-	-	-	-	78,888
Other assets	12,793,563	1,781,360	(312,405)	-	-	-	14,262,518	(5,486,445)	173,894	-	(1,495,076)	-	(6,807,627)	7,454,891
	76,232,693	8,749,009	(312,405)	-	-	-	84,669,297	(21,019,199)	173,894	-	(4,063,771)	-	(24,909,076)	59,760,221
Intangible assets														
Computers - software & programming	35,293	45,537	-	-	-	-	80,830	(28,155)	-	-	(2,270)	-	(30,425)	50,405
	35,293	45,537	-	-	-	-	80,830	(28,155)	-	-	(2,270)	-	(30,425)	50,405
Investment properties														
Investment property	1,999,640	-	-	-	-	-	1,999,640	(638,722)	-	-	(66,655)	-	(705,377)	1,294,263
1,999,640	-	-	-	-	-	-	1,999,640	(638,722)	-	-	(66,655)	-	(705,377)	1,294,263
Total														
Land and buildings	26,446,477	5,892,628	-	-	-	-	32,339,105	(2,015,411)	-	-	(743,168)	-	(2,758,579)	29,580,526
Infrastructure	30,800,187	-	-	-	-	-	30,800,187	(12,068,781)	-	-	(1,661,062)	-	(13,729,843)	17,070,344
Community Assets	6,113,578	1,075,021	-	-	-	-	7,188,599	(1,448,562)	-	-	(164,465)	-	(1,613,027)	5,575,572
Heritage assets	78,888	-	-	-	-	-	78,888	-	-	-	-	-	-	78,888
Other assets	12,793,563	1,781,360	(312,405)	-	-	-	14,262,518	(5,486,445)	173,894	-	(1,495,076)	-	(6,807,627)	7,454,891
Intangible assets	35,293	45,537	-	-	-	-	80,830	(28,155)	-	-	(2,270)	-	(30,425)	50,405
Investment properties	1,999,640	-	-	-	-	-	1,999,640	(638,722)	-	-	(66,655)	-	(705,377)	1,294,263
	78,267,626	8,794,546	(312,405)	-	-	-	86,749,767	(21,686,076)	173,894	-	(4,132,696)	-	(25,644,878)	61,104,889

Segmental analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation

Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	17,793,801	682,574	(12,414)	-	-	-	18,463,961	(4,182,623)	2,108	-	(658,760)	-	(4,839,275)	13,624,686
Finance	922,388	2,938,131	(283,559)	-	-	-	3,576,960	(252,827)	164,198	-	(272,221)	-	(360,850)	3,216,110
Planning and Development/Economic Development/Plan	226,068	42,210	-	-	-	-	268,278	(52,527)	-	-	(64,787)	-	(117,314)	150,964
Corporate Services	9,620,832	4,893,922	(11,605)	-	-	-	14,503,149	(1,672,082)	3,087	-	(905,957)	-	(2,574,952)	11,928,197
Works	49,704,539	237,709	(4,827)	-	-	-	49,937,421	(15,550,959)	4,500	-	(2,164,297)	-	(17,710,756)	32,226,665
	78,267,628	8,794,546	(312,405)	-	-	-	86,749,769	(21,711,018)	173,893	-	(4,066,022)	-	(25,603,147)	61,146,622
Total														
Municipality	78,267,628	8,794,546	(312,405)	-	-	-	86,749,769	(21,711,018)	173,893	-	(4,066,022)	-	(25,603,147)	61,146,622
	78,267,628	8,794,546	(312,405)	-	-	-	86,749,769	(21,711,018)	173,893	-	(4,066,022)	-	(25,603,147)	61,146,622

Nquthu Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun			
Municipal Governance Grant	KZN-COGTA	-	-	-	-	315,760	191,626	-	68,640	-	-	-	-	-	Yes	
Capacity Building	KZN-COGTA	-	-	-	-	-	-	-	104,649	-	-	-	-	-	Yes	
MFMA	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Corridor Development	KZN-COGTA	-	-	-	-	267,590	208,062	-	72,732	-	-	-	-	-	Yes	
MPCC	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Cybercadet	KZN-Arts & Culture	441,933	-	-	201,600	140,147	271,534	-	252,174	-	-	-	-	-	Yes	
(Libraries) Anti-corruption strategy	KZN-COGTA Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Municipal Infrastructure Grant (MIG)	COGTA-National	5,000,000	4,500,000	3,477,000	-	2,212,108	2,033,611	1,578,763	6,008,968	-	-	-	-	-	Yes	
Financial System Grant	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Management Assistance Program	KZN-COGTA	-	-	-	-	-	51,781	98,051	160,311	-	-	-	-	-	Yes	
Municipal Systems Improvement Grant	COGTA-National	750,000	-	-	-	-	106,789	449,220	178,482	-	-	-	-	-	Yes	
Housing	KZN-Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Financial Management Grant	National Treasury	1,250,000	-	-	-	264,316	460,848	410,354	106,390	-	-	-	-	-	Yes	
Synergistic Partnership Grant	KZN-COGTA	-	-	-	-	-	1,346	198	-	-	-	-	-	-	Yes	

Public Participation Grant	KZN-COGTA	-	-	-	-	-	-	-	-	-	-	-	-	Yes
Youth Fund	NYDA	-	-	-	-	-	22,469	-	-	-	-	-	-	Yes
(Umsobomvu/NYDA)														
CBD Roass Rehabilitation	KZN-COGTA	-	9,000,000	-	-	-	-	-	-	-	-	-	-	
Bornem Grant	Bornem	75,494	72,392	-	-	42,980	-	40,910	17,678	-	-	-	-	
(Belgium) Lirbrary Volunteer	KZN-Arts & Culture (Libraries)	-	12,000	-	-	-	-	-	6,922	-	-	-	-	
		7,517,427	13,584,392	3,477,000	201,600	3,242,901	3,325,597	2,599,965	6,976,946	-	-	-	-	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

4.2 Audit report

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON NQUTHU MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Nquthu Municipality, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, as set out on pages ... to

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No.56 of 2003) (MFMA) and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nquthu municipality as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DORA.

Emphasis of matter

8. I draw attention to the matters below. my opinion is not modified in respect of these matters:

Significant uncertainties

9. As disclosed in note 35 to the financial statements, the municipality is a defendant in five lawsuits of which the timing and outcomes of the litigations cannot presently be determined and no provision for any liability that may arise has been made in the financial statements. These litigations include claims from ex-staff members as well as alleged breach of contracts by the municipality. Brief details for the litigations are summarised below:

Restatement of corresponding figures

10. As disclosed in note 38 to the financial statements, the corresponding figures for the year ended 30 June 2010 have been restated as a result of errors discovered during the year ended 30 June 2011.

Fruitless and wasteful expenditure

11. As disclosed in note 40 to the financial statements, the Municipality incurred fruitless and wasteful expenditure of R309 626 due to interest and penalties arising from late payment of supplier invoices and taxes due to the South African Revenue Services.

Material Losses

12. As disclosed in note 43 to the financial statements, the municipality suffered material electricity distribution losses of R1,863 million (12,518 million Kw hours) during the year under review.

Material under spending of the Budget

13. The Municipality has materially under spent its budget by R34, 926 million and no satisfactory explanation was provided. The majority of under spending realties to transfers and grants being under spent by R 25 234 million. Consequently, 48% of the municipality's objectives were not achieved.

Additional matters

14. I draw attention to the matters below. my opinion is not modified in respect of these matters:

Unaudited supplementary schedules

15. The supplementary information set out on pages xx to xx do not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

16. In accordance with the PAA and in terms of General Notice No. 1111 of 2010, issued in Government Gazette No. 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on pages... to ... and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

Presentation of information

17. The following criteria are relevant to the finding below:

- Performance against predetermined objectives was not reported using the National Treasury guidelines.

The following audit finding relate to the above criteria:

Reasons for major variances between planned and actual reported targets were not provided in the report on predetermined objectives

18. Adequate explanations for major variances between the planned and the actual reported targets were not provided, as required in terms of the relevant reporting guidance. In total 100% of the reported targets with major variance were not explained.

Usefulness of information

19. The following criteria are relevant to the finding below:

- Measurability: indicators are well-defined and verifiable, and targets are specific, measurable and time-bound.

The following audit finding relate to the above criteria:

Planned and reported indicators are not well defined

20. For the selected objectives, 30% of the planned and reported indicators were not clear, as unambiguous data definitions were not available to allow for data to be collected consistently.

Planned and reported targets are not measurable and time bound

21. For the selected objectives, 30% of the planned and reported targets were not measurable in identifying the required level of performance.

22. For the selected objectives, 30% of the planned and reported targets were not time-bound in specifying the time period or deadline for delivery.

Compliance with laws and regulations

Payments to suppliers not in the prospective providers list

23. The prospective providers list for procuring goods and services through quotations was not updated at least quarterly to include new suppliers that qualify for listing and prospective providers were not invited to apply for such listing at least once a year as per the requirements of regulations 14(1)(a)(ii) and 14(2) of the Municipal Supply Chain management regulations of 30 May 2005. Consequently, goods and services were procured from providers from providers who were not on the prospective providers list.

The Annual financial statements

24. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors were subsequently corrected by the municipality.

Audit committee

25. The audit committee did not substantially fulfill their responsibilities, as required by section 166 of the MFMA.

INTERNAL CONTROL

26. In accordance with the PAA and in terms of general Notice no. 1111 of 2010, issued in Government Gazette No. 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report. .

Leadership

27. The accounting officer did not exercise effective oversight responsibility over reporting and compliance with laws and regulations and internal control as well as in the preparation annual performance plan and financial statements.

Financial and performance management

28. Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information to ensure that financial statements submitted for audits are free from material misstatements.

Governance

29. The audit committee did not promote accountability through evaluating and monitoring responses to risks strategy of the municipality and providing oversight over the effectiveness of the internal control environment and compliance with the relevant laws and regulations.

Pietermaritzburg

30 November 2011



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

4.3 Audit Action Plan

Finding	Action plan	Implementation Date	Accountable Executive	Status
Fruitless and wasteful expenditure				
1. Interest paid on late payments	Ensure payments are made on time	30 June 2012	CFO	
Material Losses				
2. Electrify distribution losses of R1, 863 Million	Conduct an electricity audit at residential and commercial areas. Disconnect and charge offenders	30 June 2012	Director Technical	
Material under spending of the budget				
3. Budget under spent by R34, 928 million	Monitor expenditure monthly and encourage municipal departments to spend budgets.	30 June 2012	All	
Pre- determined objectives				
4. Performances not reported using the national Treasury guidelines.	To consult KZN treasury and work together with the finance section in preparing reports in terms of the treasury guidelines	30 June 2012	Municipal manager	
5. Reasons for variances between planned and achieved targets not provided	To assist municipal HODs with cascading PMS to middle management. HODs to hold monthly meetings with their respective departments	30 June 2012	Municipal manager	
6. Performance targets not "SMART"	To produce a quarterly report on municipal targets	30 June 2012	Municipal manager	
Compliance with laws and regulations				
7. Supplier database not updated quarterly	Supplier database to be updated quarterly	30 June 2012	CFO	
8. Financial statements not prepared in all material respects.		30 June 2012	CFO	
9. Audit committee did not play proper oversight.	To table items in time and ensure all HODs commit to the dates set.	30 June 2012	Municipal Manager	

4.4 Audit Committee report

4.5 SCOMA report

CHAPTER 5: CONCLUSION

5.1 Conclusion

The 2010/11 financial year marked the start of quarterly performance review's for HODs. The municipality will build on its success during the year and aim for an even better Performance management System during the 2011/12 financial year. It is also important to know that performance management, financial management and Good governance can only be achieved if there is good synergy between municipal departments. This is what the municipality is working towards and with decisive leadership it is sure to achieve it. The Audit issues action plan will be used to guide the municipality to a clean audit and will be tabled at MANCO monthly for monitoring.

